

CITY OF LIBERAL, KANSAS  
Liberal, Kansas

AUDIT REPORT  
For the year ended December 31, 2011

CITY OF LIBERAL, KANSAS  
FINANCIAL STATEMENTS  
For the year ended December 31, 2011

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CITY OF LIBERAL, KANSAS

FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

City Commission  
City of Liberal, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Liberal's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Liberal (a discretely presented component unit), which represents 62 percent and 71 percent, respectively, of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Liberal (a discretely presented component unit), is based on the report of the other auditors.

We conducted our audit in accordance with the *Kansas Municipal Audit Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012 on our consideration of the City of Liberal's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Liberal, Kansas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.



City Commission  
City of Liberal, Kansas

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In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hay•Rice & Associates, Chartered

September 13, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

City Commission  
City of Liberal, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the City of Liberal's basic financial statements and have issued our report thereon dated September 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Liberal's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Liberal's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2011-1 and 2011-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Liberal's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Liberal's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Liberal's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

September 13, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Liberal, we offer readers of the City of Liberal's financial statements this overview and analysis of the financial activities for the fiscal year ended December 31, 2011. Please read this report in conjunction with the City's financial statements, which begin on page 1.

### FINANCIAL HIGHLIGHTS

As the City of Liberal has previously completed the implementation of GASB 34, a relevant comparison can be made between 2010 and 2011 in the financial statements.

The assets of the City of Liberal exceeded its liabilities at the close of 2011 by \$81,816,983 (net assets). Of this amount, \$4,283,603 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Liberal's basic financial statements. These financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Liberal's finances, in a manner similar to private-sector business, and can be found on pages 1 – 4 of this report.

The statement of net assets presents information on all of the City of Liberal's assets (what the citizens own) and liabilities (what the citizens owe), with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Liberal is improving or deteriorating. Other nonfinancial factors should also be considered, such as changes in the City's property tax base, and the condition of the City's capital assets (roads, buildings, water, and sewer lines) to assess the overall health of the City.

The statement of activities presents information showing how the City of Liberal's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Liberal that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Liberal include general government, public safety, public works, and community service. The business-type activities of the City of Liberal include a municipal airport, sanitation, sewer, and water systems.

The government-wide financial statements include not only the City of Liberal itself but also a legally separate library and a legally separate housing authority, combined under one column heading of “Component Units.” Each of these entities has a Board appointed by the City of Liberal Commission. The Commission must also approve Bond issuances by either entity. Financial information for these two component units is reported separately from the financial information presented for the primary government itself.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Liberal, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Liberal can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our analysis of the City’s major funds begins on page 5. Kansas State law requires certain funds at a minimum. The City of Liberal Commission has established other funds to help it control and manage money for particular purposes (Ex. Convention & Tourism Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (Ex. City Sales Tax Funds). The City’s two kinds of funds, governmental and proprietary, use different accounting approaches.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Liberal maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are each considered major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report on pages 49 – 55.

The basic governmental fund financial statements can be found on pages 5 – 11 of this report.

### Proprietary Funds

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The City of Liberal uses enterprise funds to account for charging customers for the full cost of the services it provides in its water, sewer, sanitation, and airport operations, which are each considered to be major funds.

The basic proprietary fund financial statements can be found on pages 12 – 19 of this report.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Liberal's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 44 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Liberal's compliance with its annually appropriated budget for its general fund. This required supplementary information can be found on pages 45 – 48 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 49 – 80 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City of Liberal, assets exceeded liabilities by \$81,816,983 at the close of 2011.

The largest portion of the City of Liberal's net assets, or 75.86%, reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any debt used to acquire these assets that is still outstanding. The City of Liberal uses these capital assets to provide services to citizens. It is important to note that these assets are not available for future spending. Although the City of Liberal's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets alone cannot be used to liquidate these liabilities.

	City of Liberal's Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and other assets	\$19,608,057	\$18,903,834	\$ 6,886,950	\$ 3,728,992	\$26,495,007	\$22,632,826
Capital assets	<u>42,294,183</u>	<u>43,282,673</u>	<u>29,692,187</u>	<u>32,328,636</u>	<u>71,986,370</u>	<u>75,611,309</u>
Total Assets	<u>\$61,902,240</u>	<u>\$62,186,507</u>	<u>\$36,579,137</u>	<u>\$36,057,628</u>	<u>\$98,481,377</u>	<u>\$98,244,135</u>
Long-term liabilities	\$ 3,692,886	\$ 3,085,581	\$ 6,608,284	\$ 6,313,589	\$10,301,170	\$ 9,399,170
Other liabilities	<u>6,133,444</u>	<u>6,172,524</u>	<u>1,123,383</u>	<u>855,458</u>	<u>7,256,827</u>	<u>7,027,982</u>
Total Liabilities	<u>\$ 9,826,330</u>	<u>\$ 9,258,105</u>	<u>\$ 7,731,667</u>	<u>\$ 7,169,047</u>	<u>\$17,557,997</u>	<u>\$16,427,152</u>
Net Assets:						
Invested in capital assets, net of related debt	\$38,520,906	\$40,016,495	\$22,728,051	\$22,047,344	\$61,248,957	\$62,063,839
Restricted	10,614,516	12,046,400	4,470,609	3,423,141	15,085,125	15,469,541
Unrestricted	<u>2,940,488</u>	<u>865,507</u>	<u>1,648,810</u>	<u>3,418,096</u>	<u>4,589,298</u>	<u>4,283,603</u>
Total Net Assets	<u>\$52,075,910</u>	<u>\$52,928,402</u>	<u>\$28,847,470</u>	<u>\$28,888,581</u>	<u>\$80,923,380</u>	<u>\$81,816,983</u>

### Governmental Activities

Governmental activities increased the City of Liberal's net assets by \$852,492 through key elements, as follows:

City of Liberal's Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 1,934,916	\$ 1,959,597	\$ 6,307,372	\$ 7,338,503	\$ 8,242,288	\$ 9,298,100
Operating grants and contributions	765,481	658,859	-	-	765,481	658,859
Capital grants and contributions	72,037	317,623	-	542,566	72,037	860,189
General Revenues:						
Property taxes	4,416,653	4,476,632	-	-	4,416,653	4,476,632
Other taxes	9,616,847	10,329,101	-	-	9,616,847	10,329,101
Other	<u>1,928,594</u>	<u>487,197</u>	<u>(712,780)</u>	<u>255,757</u>	<u>1,215,814</u>	<u>742,954</u>
Total Revenues	<u>\$18,734,528</u>	<u>\$18,229,009</u>	<u>\$ 5,594,592</u>	<u>\$ 8,136,826</u>	<u>\$24,329,120</u>	<u>\$26,365,835</u>
<u>Expenses</u>						
General Government	\$ 3,805,686	\$ 3,953,444	\$ -	\$ -	\$ 3,805,686	\$ 3,953,444
Public Safety	6,090,273	6,628,645	-	-	6,090,273	6,628,645
Public Works	4,292,105	2,821,972	-	-	4,292,105	2,821,972
Community Service	2,835,763	2,961,672	-	-	2,835,763	2,961,672
Community/Economic Development	1,151,740	1,010,784	-	-	1,151,740	1,010,784
Water	-	-	2,871,537	2,947,997	2,871,537	2,947,997
Sewer	-	-	1,970,321	2,066,054	1,970,321	2,066,054
Sanitation	-	-	1,145,354	1,563,587	1,145,354	1,563,587
Airport	-	-	<u>1,620,088</u>	<u>1,518,077</u>	<u>1,620,088</u>	<u>1,518,077</u>
Total Expenses	<u>\$18,175,567</u>	<u>\$17,376,517</u>	<u>\$ 7,607,300</u>	<u>\$ 8,095,715</u>	<u>\$25,782,867</u>	<u>\$25,472,232</u>
Increase in Net Assets	\$ 558,961	\$ 852,492	\$ (2,012,708)	\$ 41,111	\$ (1,453,747)	\$ 893,603
Net Assets, January 1	<u>51,516,949</u>	<u>52,075,910</u>	<u>30,860,178</u>	<u>28,847,470</u>	<u>82,377,127</u>	<u>80,923,380</u>
Net Assets, December 31	<u>\$52,075,910</u>	<u>\$52,928,402</u>	<u>\$28,847,470</u>	<u>\$28,888,581</u>	<u>\$80,923,380</u>	<u>\$81,816,983</u>

The Statement of Activities format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance, as expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

### Business-Type Activities

Business-type activities increased the City of Liberal's net assets by \$41,111, as referenced in the table above.



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Liberal uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City of Liberal's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Liberal's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

As of the end of 2011, the City of Liberal's governmental funds reported combined ending fund balances of \$13,564,373, or a decrease of \$573,373.

Approximately \$10,962,784 is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available due to prior commitments such as liquidating contracts and purchase orders of the prior period in the amount of \$131,271, or for a variety of other restricted purposes in the amount of \$2,470,318.

### Proprietary Funds

The City of Liberal's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary funds were as follows: the Water Fund totaled \$2,331,655, the Sewer Fund totaled \$426,837, the Sanitation Fund totaled \$545,529, and the Airport Fund totaled \$114,075.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During 2011, the budgeted general fund revenue exceeded the actual amount by \$360,536 and the general fund expenses were less than the budgeted amount by \$1,228,906, which gives an overall favorable amount of \$1,589,442. After transfers there was a favorable amount of \$2,025,161.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2011, the City had \$75,611,309 invested in capital assets including police and fire equipment, buildings, park facilities, new roads, and water and sewer lines, as follows:

City of Liberal's Capital Assets						
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 1,571,751	\$ 1,555,864	\$ 4,180,400	\$ 4,180,400	\$ 5,752,151	\$ 5,736,264
Construction in progress	2,686,115	1,185,906	2,352,959	387,684	5,039,074	1,573,590
Buildings	8,417,797	8,925,965	9,183,680	9,628,080	17,601,477	18,554,045
Improvements	7,698,137	7,864,184	33,119,006	34,917,228	40,817,143	42,781,412
Equipment	4,812,258	4,885,387	3,142,081	3,189,340	7,954,339	8,074,727
Vehicles	4,535,102	4,524,870	1,822,651	1,935,694	6,357,753	6,460,564
Streets	56,632,524	60,030,481	-	-	56,632,524	60,030,481
Accumulated depreciation	(44,059,501)	(46,042,242)	(24,108,590)	(25,434,704)	(68,168,091)	(71,476,946)
Total	<u>\$ 42,294,183</u>	<u>\$ 42,930,415</u>	<u>\$ 29,692,187</u>	<u>\$ 28,803,722</u>	<u>\$ 71,986,370</u>	<u>\$ 71,734,137</u>

Additional information on the City of Liberal's capital assets can be found in Note 4 on pages 36 – 38 of this report.

### Long-Term Debt

At the end of 2011, the City of Liberal had \$10,337,281 in outstanding bonds, compensated absences, notes, and capital leases. Additional long-term debt information can be found in Note 6 on pages 40 – 42 of this report, and is summarized, as follows:

City of Liberal's Long-Term Debt						
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
General obligation bonds	\$ 2,425,000	\$ 1,635,000	\$ 3,135,000	\$ 6,735,000	\$ 5,560,000	\$ 8,370,000
Compensated absences	594,796	631,986	88,211	92,211	683,007	724,197
KDHE revolving loan	-	-	3,748,612	-	3,748,612	-
Capital leases & temporary notes	<u>1,314,741</u>	<u>1,243,084</u>	<u>-</u>	<u>-</u>	<u>1,314,741</u>	<u>1,243,084</u>
Total	<u>\$ 4,334,537</u>	<u>\$ 3,510,070</u>	<u>\$ 6,971,823</u>	<u>\$ 6,827,211</u>	<u>\$11,306,360</u>	<u>\$10,337,281</u>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City has taken a focused approach towards maximizing the rate of return on taxpayer funds. We have also expanded our banking relationships wherein we designated all local banks additional depositories and they have the opportunity to bid on City taxpayer funds, based upon the State of Kansas Pooled Money Investment Board rates. Due to the overall state of the economy, we have reduced our budgeted investment earnings, although due to bids we continually receive, we are still optimizing these earnings as much as possible.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Finance Director, City of Liberal, 324 North Kansas Avenue, Liberal, Kansas 67901.

CITY OF LIBERAL, KANSAS

BASIC FINANCIAL STATEMENTS

CITY OF LIBERAL, KANSAS

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
ASSETS				
Current Assets				
Cash, including time deposits	\$ 12,221,835	\$ 2,739,275	\$ 14,961,110	\$ 640,161
Taxes receivable	5,253,949	-	5,253,949	583,598
Accounts receivable (net)	110,849	438,981	549,830	1,092
Receivable from other governments	885,981	-	885,981	-
Unbilled receivable	-	264,692	264,692	-
Interest receivable	1,017	536	1,553	-
Inventory	316,924	258,814	575,738	6,524
Prepaid expenses	113,279	26,694	139,973	6,894
Total current assets	\$ 18,903,834	\$ 3,728,992	\$ 22,632,826	\$ 1,238,269
Noncurrent Assets				
Restricted Assets:				
Cash, including time deposits	\$ 352,258	\$ 3,476,411	\$ 3,828,669	\$ 35,616
Other Assets:				
Deferred bond cost	-	79,781	79,781	-
Less – Amortization	-	(31,278)	(31,278)	-
Capital Assets:				
Construction in progress	1,185,906	387,684	1,573,590	830,766
Land	1,555,864	4,180,400	5,736,264	132,465
Buildings	8,925,965	9,628,080	18,554,045	4,629,055
Improvements other than buildings	7,864,184	34,917,228	42,781,412	209,336
Machinery, equipment, furniture and fixtures	4,885,387	3,189,340	8,074,727	825,891
Vehicles	4,524,870	1,935,694	6,460,564	-
Streets	60,030,481	-	60,030,481	-
Less – Accumulated depreciation	(46,042,242)	(25,434,704)	(71,476,946)	(3,701,622)
Total noncurrent assets	\$ 43,282,673	\$ 32,328,636	\$ 75,611,309	\$ 2,961,507
Total Assets	\$ 62,186,507	\$ 36,057,628	\$ 98,244,135	\$ 4,199,776

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 1

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 256,878	\$ 175,391	\$ 432,269	\$ 17,242
Accrued interest payable	20,480	18,532	39,012	-
Accrued wages and benefits	535,039	116,059	651,098	11,637
Unapplied credits	-	10,476	10,476	22,010
Lease purchase contracts – Current	75,325	-	75,325	-
General obligation bonds payable – Current	385,000	535,000	920,000	-
Notes payable – Current	-	-	-	18,263
Deferred revenue	<u>4,899,802</u>	<u>-</u>	<u>4,899,802</u>	<u>693,463</u>
Total current liabilities	<u>\$ 6,172,524</u>	<u>\$ 855,458</u>	<u>\$ 7,027,982</u>	<u>\$ 762,615</u>
Noncurrent Liabilities				
Deferred bond premium	\$ 38,123	\$ 21,514	\$ 59,637	\$ -
Less – Accretion	(2,287)	(136)	(2,423)	-
Accrued compensated absences	631,986	92,211	724,197	12,423
General obligation bonds payable	1,250,000	6,200,000	7,450,000	-
Notes payable – Net of current portion	-	-	-	359,992
Lease purchase contracts	<u>1,167,759</u>	<u>-</u>	<u>1,167,759</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 3,085,581</u>	<u>\$ 6,313,589</u>	<u>\$ 9,399,170</u>	<u>\$ 372,415</u>
Total Liabilities	<u>\$ 9,258,105</u>	<u>\$ 7,169,047</u>	<u>\$16,427,152</u>	<u>\$1,135,030</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$40,016,495	\$22,047,344	\$62,063,839	\$2,547,636
Restricted for:				
Capital projects	886,757	1,404,007	2,290,764	-
Debt service	2,229,590	1,661,546	3,891,136	-
Other purposes	8,930,053	357,588	9,287,641	35,616
Unrestricted	<u>865,507</u>	<u>3,418,096</u>	<u>4,283,603</u>	<u>481,494</u>
Total Net Assets	<u>\$52,928,402</u>	<u>\$28,888,581</u>	<u>\$81,816,983</u>	<u>\$3,064,746</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 2

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government:								
Administration	\$ 1,561,113	\$ 34,303	-	-	\$ (1,526,810)	-	\$ (1,526,810)	-
Planning commission	1,005	1,375	-	-	370	-	370	-
Building inspection	423,398	146,663	-	-	(276,735)	-	(276,735)	-
Legislative	58,794	-	-	-	(58,794)	-	(58,794)	-
Utility billing	176,165	-	-	-	(176,165)	-	(176,165)	-
Employees' benefits	1,429,831	966	-	-	(1,428,865)	-	(1,428,865)	-
Health and welfare	35,000	-	-	-	(35,000)	-	(35,000)	-
Interest and fiscal charges	268,138	-	-	-	(268,138)	-	(268,138)	-
Total general government	\$ 3,953,444	\$ 183,307	-	-	\$ (3,770,137)	-	\$ (3,770,137)	-
Public Safety:								
Police	\$ 3,642,697	\$ 56,127	\$ 11,519	\$238,550	\$ (3,336,501)	-	\$ (3,336,501)	-
Fire	1,396,909	3,815	24,495	21,908	(1,346,691)	-	(1,346,691)	-
Municipal Court	691,948	834,566	-	-	142,618	-	142,618	-
Communications	648,037	585	260,118	-	(387,334)	-	(387,334)	-
Animal control	249,054	8,679	242	-	(240,133)	-	(240,133)	-
Total public safety	\$ 6,628,645	\$ 903,772	\$296,374	\$260,458	\$ (5,168,041)	-	\$ (5,168,041)	-
Public Works:								
Transportation	\$ 1,689,086	\$ 40,412	\$ -	\$ 57,165	\$ (1,591,509)	-	\$ (1,591,509)	-
Engineering	89,866	-	-	-	(89,866)	-	(89,866)	-
Recreation	581,022	95,138	113,352	-	(372,532)	-	(372,532)	-
Arkalon	87,784	8,670	20,000	-	(59,114)	-	(59,114)	-
Beautification	160,430	3,250	-	-	(157,180)	-	(157,180)	-
Street lighting	213,784	2,544	-	-	(211,240)	-	(211,240)	-
Total public works	\$ 2,821,972	\$ 150,014	\$133,352	\$ 57,165	\$ (2,481,441)	-	\$ (2,481,441)	-
Community Service:								
Golf course	\$ 576,969	\$ 371,173	\$ -	-	\$ (205,796)	-	\$ (205,796)	-
Parks	542,869	19,553	3,808	-	(519,508)	-	(519,508)	-
Swimming pool	525,219	211,844	-	-	(313,375)	-	(313,375)	-
Cemeteries	178,681	41,668	2,955	-	(134,058)	-	(134,058)	-
Library	551,690	-	-	-	(551,690)	-	(551,690)	-
Air Museum	314,042	61,401	31,802	-	(220,839)	-	(220,839)	-
Convention and Tourism	272,202	16,865	-	-	(255,337)	-	(255,337)	-
Total community service	\$ 2,961,672	\$ 722,504	\$ 38,565	-	\$ (2,200,603)	-	\$ (2,200,603)	-
Community/Economic Development:								
Urban Development and Housing	\$ 646,880	-	\$176,768	-	\$ (470,112)	-	\$ (470,112)	-
Economic development	363,904	-	13,800	-	(350,104)	-	(350,104)	-
Total community/economic development	\$ 1,010,784	-	\$190,568	-	\$ (820,216)	-	\$ (820,216)	-
Total governmental activities	\$17,376,517	\$1,959,597	\$658,859	\$317,623	\$ (14,440,438)	-	\$ (14,440,438)	-

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 2  
(Continued)STATEMENT OF ACTIVITIES  
For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Business-Type Activities:								
Water	\$ 2,947,997	\$3,599,062	-	\$ -	-	\$ 651,065	\$ 651,065	-
Sewer	2,066,054	1,736,197	-	-	-	(329,857)	(329,857)	-
Airport	1,518,077	289,428	-	542,566	-	(686,083)	(686,083)	-
Sanitation	1,563,587	1,713,816	-	-	-	150,229	150,229	-
Total business-type activities	\$ 8,095,715	\$7,338,503	-	\$542,566	-	\$ (214,646)	\$ (214,646)	-
Total Primary Government	\$25,472,232	\$9,298,100	\$658,859	\$860,189	\$ (14,440,438)	\$ (214,646)	\$ (14,655,084)	-
Component Units:								
Housing Authority	\$ 793,943	\$ 362,275	\$243,662	\$938,626	-	-	-	\$ 750,620
Library	606,368	24,759	59,393	-	-	-	-	(522,216)
Total Component Units	\$ 1,400,311	\$ 387,034	\$303,055	\$938,626	-	-	-	\$ 228,404
General Revenues:								
Ad valorem property tax					\$ 4,476,632	\$ -	\$ 4,476,632	\$ 551,690
Back tax collections					160,398	-	160,398	-
Franchise tax					1,805,412	-	1,805,412	-
Motor vehicle tax					667,875	-	667,875	-
Local sales tax					6,592,385	-	6,592,385	-
Liquor tax					95,719	-	95,719	-
Transient guest tax					447,779	-	447,779	-
Highway connecting links					33,162	-	33,162	-
Gasoline tax					526,371	-	526,371	-
Administrative fees					355,000	-	355,000	-
Interest					45,967	19,145	65,112	2,650
Royalties					34,505	80,086	114,591	-
Lease income					194,050	-	194,050	-
Operating transfer in (out)					(166,145)	166,145	-	-
Gain or (loss) on disposal of assets					23,820	(9,619)	14,201	-
Total general revenues and transfers					\$ 15,292,930	\$ 255,757	\$ 15,548,687	\$ 554,340
Change in Net Assets					\$ 852,492	\$ 41,111	\$ 893,603	\$ 782,744
Net Assets, Beginning					52,075,910	28,847,470	80,923,380	2,282,002
Net Assets, Ending					\$ 52,928,402	\$28,888,581	\$ 81,816,983	\$3,064,746

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 3

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2011

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Other</u>	<u>Reclassifications</u>	<u>Total</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>	<u>and Eliminations</u>	<u>Governmental</u>
<u>ASSETS</u>		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		<u>Funds</u>
Cash, including time deposits	\$1,109,648	\$ 893,923	\$2,229,806	\$ 8,701,653	\$ -	\$12,935,030
Cash, restricted	-	-	106	352,152	-	352,258
Accounts receivable	110,849	-	-	-	-	110,849
Interest receivable	526	-	-	491	-	1,017
Due from other funds	-	687,489	-	-	(687,489)	-
Taxes receivable	3,390,566	-	3,076	1,860,307	-	5,253,949
Receivable from other governments	234,523	35,570	-	615,888	-	885,981
Inventory	273,153	-	-	43,771	-	316,924
Prepaid expense	71,704	-	-	41,575	-	113,279
Total Assets	<u>\$5,190,969</u>	<u>\$ 1,616,982</u>	<u>\$2,232,988</u>	<u>\$11,615,837</u>	<u>\$ (687,489)</u>	<u>\$19,969,287</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts payable	\$ 182,703	\$ 17,030	\$ 3,398	\$ 53,747	\$ -	\$ 256,878
Accrued wages and benefits	394,889	-	-	140,150	-	535,039
Deferred revenue	3,095,404	-	-	1,804,398	-	4,899,802
Due to other funds	-	-	-	687,489	(687,489)	-
Bank overdraft	-	713,195	-	-	-	713,195
Total liabilities	<u>\$3,672,996</u>	<u>\$ 730,225</u>	<u>\$ 3,398</u>	<u>\$ 2,685,784</u>	<u>\$ (687,489)</u>	<u>\$ 6,404,914</u>
<u>Fund Balances</u>						
Nonspendable for accounts receivable, inventory and prepaid expenses	\$ 985,917	\$ 723,059	\$ 3,076	\$ 758,266	-	\$ 2,470,318
Assigned for encumbrances	13,645	-	-	117,626	-	131,271
Assigned to:						
Special Revenue Funds	-	-	-	8,054,161	-	8,054,161
Capital Projects Funds	-	163,698	-	-	-	163,698
Debt Service Funds	-	-	2,226,514	-	-	2,226,514
Unassigned	518,411	-	-	-	-	518,411
Total fund balances	<u>\$1,517,973</u>	<u>\$ 886,757</u>	<u>\$2,229,590</u>	<u>\$ 8,930,053</u>	<u>-</u>	<u>\$13,564,373</u>
Total Liabilities and Fund Balances	<u>\$5,190,969</u>	<u>\$ 1,616,982</u>	<u>\$2,232,988</u>	<u>\$11,615,837</u>	<u>\$ (687,489)</u>	<u>\$19,969,287</u>

The notes to the financial statements are an integral part of this statement.



CITY OF LIBERAL, KANSAS

Statement 3  
(Continued)

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2011

Total Governmental Fund Balances	\$13,564,373
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Net of accumulated depreciation of \$46,042,242	42,930,415
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(1,635,000)
Lease purchase contracts payable	(1,243,084)
Accrued interest	(20,480)
Accrued compensated absences	(631,986)
Deferred bond premium	(38,123)
Accumulated accretion	<u>2,287</u>
Net Assets of Governmental Activities	<u>\$52,928,402</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2011

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<u>Revenues</u>					
Taxes	\$ 5,161,354	\$ -	\$ 45,587	\$ 1,914,904	\$ 7,121,845
Intergovernmental	3,129,068	288,047	-	5,393,438	8,810,553
Licenses and permits	125,676	-	-	-	125,676
Charges for services	807,096	-	55,030	106,797	968,923
Fines and forfeitures	834,566	-	-	-	834,566
Interest income	21,792	-	9,365	15,603	46,760
Royalty and lease income	172,775	-	-	750	173,525
Entities' share	-	2,302,109	-	-	2,302,109
Contribution	20,000	-	-	183,273	203,273
Miscellaneous	40,275	-	-	102,128	142,403
Total revenues	<u>\$10,312,602</u>	<u>\$2,590,156</u>	<u>\$ 109,982</u>	<u>\$ 7,716,893</u>	<u>\$20,729,633</u>
<u>Expenditures</u>					
Current Operations:					
General Government:					
Administration	\$ 1,640,939	-	-	\$ -	\$ 1,640,939
Planning commission	1,005	-	-	-	1,005
Building inspection	417,031	-	-	-	417,031
Legislative	58,794	-	-	-	58,794
Utility billing	175,242	-	-	-	175,242
Employees' benefits	-	-	-	1,390,000	1,390,000
Health and welfare	-	-	-	35,000	35,000
Total general gov.	<u>\$ 2,293,011</u>	<u>-</u>	<u>-</u>	<u>\$ 1,425,000</u>	<u>\$ 3,718,011</u>
Public Safety:					
Police	\$ 3,227,744	-	-	\$ 614,173	\$ 3,841,917
Fire	1,191,315	-	-	22,596	1,213,911
Municipal Court	690,126	-	-	-	690,126
Communications	-	-	-	646,290	646,290
Animal control	250,439	-	-	-	250,439
Total public safety	<u>\$ 5,359,624</u>	<u>-</u>	<u>-</u>	<u>\$ 1,283,059</u>	<u>\$ 6,642,683</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2011

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Expenditures</u> (Continued)					
Current Operations (Cont.):					
Public Works:					
Transportation	\$ 987,272	-	-	\$ 1,585,652	\$ 2,572,924
Engineering	88,090	-	-	-	88,090
Recreation	418,429	-	-	150,283	568,712
Arkalon	38,838	-	-	13,165	52,003
Beautification	-	-	-	220,440	220,440
Street lighting	<u>204,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,090</u>
Total public works	\$ <u>1,736,719</u>	<u>-</u>	<u>-</u>	\$ <u>1,969,540</u>	\$ <u>3,706,259</u>
Community Service:					
Golf course	\$ 563,756	-	-	\$ 1,348	\$ 565,104
Parks	481,669	-	-	19,031	500,700
Swimming pool	298,592	-	-	-	298,592
Cemeteries	139,132	-	-	28,567	167,699
Library	-	-	-	551,690	551,690
Air Museum	-	-	-	315,610	315,610
Convention & Tourism	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,974</u>	<u>277,974</u>
Total community service	\$ <u>1,483,149</u>	<u>-</u>	<u>-</u>	\$ <u>1,194,220</u>	\$ <u>2,677,369</u>
Community/Economic Development:					
Urban Housing and Development	\$ -	\$ 194,864	-	\$ 591,668	\$ 786,532
Economic development	<u>142,543</u>	<u>-</u>	<u>-</u>	<u>524,816</u>	<u>667,359</u>
Total community/economic develop.	\$ <u>142,543</u>	\$ <u>194,864</u>	<u>-</u>	\$ <u>1,116,484</u>	\$ <u>1,453,891</u>
Debt Service:					
Principal	-	-	\$2,425,000	-	\$ 2,425,000
Interest & other charges	<u>-</u>	<u>-</u>	<u>223,080</u>	<u>-</u>	<u>223,080</u>
Total debt service	<u>-</u>	<u>-</u>	\$ <u>2,648,080</u>	<u>-</u>	\$ <u>2,648,080</u>
Capital outlay	<u>-</u>	\$ <u>1,042,103</u>	<u>-</u>	\$ <u>203,674</u>	\$ <u>1,245,777</u>
Total expenditures	\$ <u>11,015,046</u>	\$ <u>1,236,967</u>	\$ <u>2,648,080</u>	\$ <u>7,191,977</u>	\$ <u>22,092,070</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2011

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(702,444)</u>	\$ <u>1,353,189</u>	\$ <u>(2,538,098)</u>	\$ <u>524,916</u>	\$ <u>(1,362,437)</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ 510,719	-	\$ 437,628	\$ 645,176	\$ 1,593,523
Operating transfers out	(625,176)	-	-	(1,122,823)	(1,747,999)
Bond proceeds	<u>-</u>	<u>-</u>	<u>1,717,554</u>	<u>-</u>	<u>1,717,554</u>
Total other financing sources (uses)	\$ <u>(114,457)</u>	<u>-</u>	\$ <u>2,155,182</u>	\$ <u>(477,647)</u>	\$ <u>1,563,078</u>
Net change in fund balances	\$ (816,901)	\$ 1,353,189	\$ (382,916)	\$ 47,269	\$ 200,641
Fund Balances, Beginning	2,230,468	353,853	2,620,586	8,932,839	14,137,746
Other Changes:					
Increase or (decrease) in reserves	<u>104,406</u>	<u>(820,285)</u>	<u>(8,080)</u>	<u>(50,055)</u>	<u>(774,014)</u>
Fund Balances, Ending	\$ <u>1,517,973</u>	\$ <u>886,757</u>	\$ <u>2,229,590</u>	\$ <u>8,930,053</u>	\$ <u>13,564,373</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

Net Change in Fund Balances – Total Governmental Funds	\$ 200,641
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Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense:

Capital asset purchases capitalized	3,032,023
Capital assets transferred to business-type activities	(11,669)
Depreciation expense	(2,340,509)
Basis of assets disposed of	(43,613)
Amortization expense	(26,358)
Accretion	2,287

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the fund:

Current taxes receivable	5,253,949
Prior taxes receivable	(5,012,877)
Current accounts receivable	110,849
Prior accounts receivable	(134,822)
Current due from other funds	687,489
Prior due from other funds	(1,453,660)
Current receivable from other governments	833,632
Prior receivable from other governments	(783,225)
Current grants receivable	52,349
Prior grants receivable	(89,684)
Current interest receivable	1,017
Prior interest receivable	(1,810)
Current deferred revenue on receivables	(4,899,170)
Prior deferred revenue on receivables	4,646,559

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

Issuance of debt in revenue in the governmental funds, but the receipt increases long-term liabilities in the statement of net assets:

Bond proceeds	(1,635,000)
Bond premium received	(38,123)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Bond principal payments	2,425,000
Capital lease principal payments	71,657
KDOT assessment payments	33,536

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due:

Current interest payable	(20,480)
Prior interest payable	14,304

Some assets, such as prepaid insurance and inventory, are reported as reserves to fund balances in the governmental funds statement so these amounts are included in the expense accounts on the governmental funds:

Current prepaid maintenance contracts	30,067
Prior prepaid maintenance contracts	(29,898)
Current prepaid insurance	83,212
Prior prepaid insurance	(85,293)
Current inventory	316,924
Prior inventory	(299,622)

Some expense reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Current compensated absences	(631,986)
Prior compensated absences	<u>594,796</u>

Change in Net Assets on Governmental Activities	<u>\$ 852,492</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

December 31, 2011

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<b>ASSETS</b>					
<u>Current Assets</u>					
Cash, including time deposits	\$ 1,965,468	\$ 298,713	\$ 361,960	\$ 113,134	\$ 2,739,275
Accounts receivable (net)	212,063	87,909	125,058	13,951	438,981
Unbilled receivable	98,305	67,994	98,393	-	264,692
Interest receivable	298	103	69	66	536
Inventory	149,086	39,882	69,846	-	258,814
Prepaid expenses	<u>7,863</u>	<u>7,167</u>	<u>5,094</u>	<u>6,570</u>	<u>26,694</u>
Total current assets	\$ <u>2,433,083</u>	\$ <u>501,768</u>	\$ <u>660,420</u>	\$ <u>133,721</u>	\$ <u>3,728,992</u>
<u>Noncurrent Assets</u>					
Restricted Assets:					
Cash, including time deposits	\$ 1,707,560	\$ 597,749	\$ 478,424	\$ 692,678	\$ 3,476,411
Other Assets:					
Deferred bond cost	79,781	-	-	-	79,781
<u>Less – Amortization</u>	<u>(31,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,278)</u>
Capital Assets:					
Construction in progress	-	387,684	-	-	387,684
Land	757,219	1,042,226	51,349	2,329,606	4,180,400
Buildings	699,600	7,362,878	67,730	1,497,872	9,628,080
Improvements other than buildings	19,120,505	6,590,575	2,816	9,203,332	34,917,228
Machinery, equipment, furniture and fixtures	864,026	1,570,492	642,605	112,217	3,189,340
Vehicles	278,654	169,793	1,065,227	422,020	1,935,694
<u>Less – Accumulated deprec.</u>	<u>(8,568,464)</u>	<u>(10,010,985)</u>	<u>(1,767,409)</u>	<u>(5,087,846)</u>	<u>(25,434,704)</u>
Total noncurrent assets	\$ <u>14,907,603</u>	\$ <u>7,710,412</u>	\$ <u>540,742</u>	\$ <u>9,169,879</u>	\$ <u>32,328,636</u>
Total Assets	\$ <u>17,340,686</u>	\$ <u>8,212,180</u>	\$ <u>1,201,162</u>	\$ <u>9,303,600</u>	\$ <u>36,057,628</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 5

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

December 31, 2011

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<b>LIABILITIES</b>					
<u>Current Liabilities</u>					
Payable from Current Assets:					
Accounts payable	\$ 59,631	\$ 55,239	\$ 47,047	\$ 13,474	\$ 175,391
Accrued interest payable	18,532	-	-	-	18,532
Accrued wages and benefits	47,939	20,836	40,816	6,468	116,059
Unapplied credits	<u>9,376</u>	<u>-</u>	<u>360</u>	<u>740</u>	<u>10,476</u>
Total current liabilities payable from current assets	\$ 135,478	\$ 76,075	\$ 88,223	\$ 20,682	\$ 320,458
Payable from Restricted Assets:					
Current portion of general obligation bonds	<u>535,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,000</u>
Total current liabilities	\$ <u>670,478</u>	\$ <u>76,075</u>	\$ <u>88,223</u>	\$ <u>20,682</u>	\$ <u>855,458</u>
<u>Noncurrent Liabilities</u>					
Deferred bond premium	\$ 21,514	\$ -	\$ -	\$ -	\$ 21,514
Less – Amortization	(136)	-	-	-	(136)
Accrued compensated absences	31,723	24,856	26,668	8,964	92,211
General obligation bonds payable	<u>6,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,200,000</u>
Total noncurrent liabilities	\$ <u>6,253,101</u>	\$ <u>24,856</u>	\$ <u>26,668</u>	\$ <u>8,964</u>	\$ <u>6,313,589</u>
Total Liabilities	\$ <u>6,923,579</u>	\$ <u>100,931</u>	\$ <u>114,891</u>	\$ <u>29,646</u>	\$ <u>7,169,047</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 6,395,162	\$ 7,112,663	\$ 62,318	\$ 8,477,201	\$22,047,344
Restricted for:					
Capital projects	28,744	571,749	478,424	325,090	1,404,007
Other purposes	1,661,546	-	-	357,588	2,019,134
Unrestricted	<u>2,331,655</u>	<u>426,837</u>	<u>545,529</u>	<u>114,075</u>	<u>3,418,096</u>
Total Net Assets	\$ <u>10,417,107</u>	\$ <u>8,111,249</u>	\$ <u>1,086,271</u>	\$ <u>9,273,954</u>	\$ <u>28,888,581</u>

The notes to the financial statements are an integral part of this statement.



CITY OF LIBERAL, KANSAS

Statement 6

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS – PROPRIETARY FUNDS

For the year ended December 31, 2011

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Operating Revenues</u>					
Charges for services	\$3,482,523	\$1,735,326	\$1,710,592	\$ 231,861	\$ 7,160,302
Other sales or services	<u>116,539</u>	<u>871</u>	<u>3,224</u>	<u>57,567</u>	<u>178,201</u>
Total operating revenues	<u>\$3,599,062</u>	<u>\$1,736,197</u>	<u>\$1,713,816</u>	<u>\$ 289,428</u>	<u>\$ 7,338,503</u>
<u>Operating Expenses</u>					
Production:					
Salaries and wages	\$ 109,986	-	-	-	\$ 109,986
Employees' benefits	61,020	-	-	-	61,020
Power, fuel and electrical					
power	491,882	-	-	-	491,882
Repairs and maintenance	77,513	-	-	-	77,513
Other contractual	8,056	-	-	-	8,056
Operating supplies	9,908	-	-	-	9,908
Gas and oil	<u>14,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,541</u>
Total production expenses	<u>\$ 772,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 772,906</u>
Transmission and Distribution:					
Salaries and wages	\$ 322,468	-	-	-	\$ 322,468
Employees' benefits	156,637	-	-	-	156,637
Repairs and maintenance	193,242	-	-	-	193,242
Vehicle insurance	2,688	-	-	-	2,688
Other contractual	6,278	-	-	-	6,278
Gas and oil	24,595	-	-	-	24,595
Other	<u>4,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,266</u>
Total transmission and distribution expenses	<u>\$ 710,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 710,174</u>
Vector Control:					
Other	<u>\$ 38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 38</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 6  
(Continued)STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS – PROPRIETARY FUNDS

For the year ended December 31, 2011

	Business-Type Activities				<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	
<u>Operating Expenses (Continued)</u>					
Pick-up Service:					
Salaries and wages	-	-	\$ 388,871	-	\$ 388,871
Employees' benefits	-	-	163,783	-	163,783
Repairs and maintenance	-	-	119,129	-	119,129
Landfill service	-	-	472,103	-	472,103
Other contractual	-	-	349	-	349
Gas and oil	-	-	99,760	-	99,760
Equipment and vehicle ins.	-	-	12,969	-	12,969
Operational supplies	-	-	46,883	-	46,883
Total pick-up service exp.	-	-	<u>\$1,303,847</u>	-	<u>\$ 1,303,847</u>
Plant Operations:					
Salaries and wages	-	\$ 135,907	-	-	\$ 135,907
Employees' benefits	-	58,941	-	-	58,941
Utilities	-	257,225	-	-	257,225
Repairs and maintenance	-	30,524	-	-	30,524
Other contractual	-	1,646	-	-	1,646
Operating supplies	-	647,476	-	-	647,476
Gas and oil	-	12,848	-	-	12,848
Total plant operations expense	-	<u>\$1,144,567</u>	-	-	<u>\$ 1,144,567</u>
Line Operations:					
Salaries and wages	-	\$ 35,602	-	-	\$ 35,602
Employees' benefits	-	14,482	-	-	14,482
Repairs and maintenance	-	45,975	-	-	45,975
Telephone	-	1,191	-	-	1,191
Operating supplies	-	4,997	-	-	4,997
Gas and oil	-	3,921	-	-	3,921
Total line operations exp.	-	<u>\$ 106,168</u>	-	-	<u>\$ 106,168</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 6  
(Continued)

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS – PROPRIETARY FUNDS

For the year ended December 31, 2011

	Business-Type Activities				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Operating Expenses (Continued)</u>					
Administrative, General and Billings:					
Salaries and wages	\$ 68,698	\$ 117,635	\$ -	\$ 97,121	\$ 283,454
Employees' benefits	33,361	52,229	-	41,455	127,045
Repairs and maintenance	9,910	1,825	-	251,758	263,493
Audit and legal fees	7,700	5,100	5,500	4,500	22,800
Travel and meetings	3,104	2,088	-	2,193	7,385
Office supplies and expenses	7,138	10,221	-	3,747	21,106
Sales tax	36,652	-	-	-	36,652
Property taxes	-	-	-	41,713	41,713
Utilities and telephone	7,356	3,978	21,834	24,584	57,752
Insurance	9,233	21,442	-	25,347	56,022
Depreciation	498,260	374,097	23,355	796,314	1,692,026
Laboratory expense	-	12,497	-	-	12,497
State water plan	34,736	-	-	-	34,736
Franchise fees	250,000	100,000	100,000	-	450,000
Bad debt expense	10,721	7,421	9,051	2,208	29,401
Engineering fees	4,576	-	-	198,058	202,634
Clean drinking water fee	32,566	-	-	-	32,566
Other	18,800	6,786	-	24,079	49,665
Administration	<u>150,000</u>	<u>100,000</u>	<u>100,000</u>	<u>5,000</u>	<u>355,000</u>
Total administrative exp.	<u>\$1,182,811</u>	<u>\$ 815,319</u>	<u>\$ 259,740</u>	<u>\$ 1,518,077</u>	<u>\$ 3,775,947</u>
Total operating exp.	<u>\$2,665,929</u>	<u>\$2,066,054</u>	<u>\$1,563,587</u>	<u>\$ 1,518,077</u>	<u>\$ 7,813,647</u>
Net Operating Income	<u>\$ 933,133</u>	<u>\$ (329,857)</u>	<u>\$ 150,229</u>	<u>\$ (1,228,649)</u>	<u>\$ (475,144)</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 6  
(Continued)STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS – PROPRIETARY FUNDS

For the year ended December 31, 2011

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Non-Operating Revenue (Expense)</u>					
Interest income	\$ 10,126	\$ 5,212	\$ 1,859	\$ 1,948	\$ 19,145
Royalty income	-	-	-	80,086	80,086
Interest and fiscal charges	(277,902)	-	-	-	(277,902)
Amortization of deferred bond cost	(4,302)	-	-	-	(4,302)
Accretion of deferred bond premium	136	-	-	-	136
Grants and other funding	-	-	-	542,566	542,566
Gain (loss) on disposal of assets	(7,529)	-	(2,090)	-	(9,619)
Transfer in (out)	<u>(52,397)</u>	<u>(1,458)</u>	<u>-</u>	<u>220,000</u>	<u>166,145</u>
Total non-operating revenue (expense)	\$ <u>(331,868)</u>	\$ <u>3,754</u>	\$ <u>(231)</u>	\$ <u>844,600</u>	\$ <u>516,255</u>
Change in Net Assets	\$ 601,265	\$ (326,103)	\$ 149,998	\$ (384,049)	\$ 41,111
Net Assets, Beginning of year	<u>9,815,842</u>	<u>8,437,352</u>	<u>936,273</u>	<u>9,658,003</u>	<u>28,847,470</u>
Net Assets, End of year	<u>\$10,417,107</u>	<u>\$8,111,249</u>	<u>\$1,086,271</u>	<u>\$ 9,273,954</u>	<u>\$28,888,581</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 7

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended December 31, 2011

	Business-Type Activities				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	\$ 3,404,003	\$ 1,714,160	\$ 1,679,071	\$ 225,653	\$ 7,022,887
Cash paid to suppliers and employees	(2,484,125)	(2,359,955)	(1,541,143)	(709,764)	(7,094,987)
Other sales and miscellaneous income	<u>36,015</u>	<u>871</u>	<u>3,224</u>	<u>57,567</u>	<u>97,677</u>
Net cash provided (used) by operating activities	\$ <u>955,893</u>	\$ <u>(644,924)</u>	\$ <u>141,152</u>	\$ <u>(426,544)</u>	\$ <u>25,577</u>
<u>Cash Flows from Non-Capital Financing Activities</u>					
Interest paid	\$ (333,103)	-	-	\$ -	\$ (333,103)
Grant income	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,566</u>	<u>542,566</u>
Net cash provided (used) by non-capital financing activities	\$ <u>(333,103)</u>	<u>-</u>	<u>-</u>	\$ <u>542,566</u>	\$ <u>209,463</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Acquisition of capital assets	\$ (225,909)	\$ (166,723)	\$ (12,362)	\$ (396,517)	\$ (801,511)
Cash received on issuance of general obligation bonds	6,756,514	-	-	-	6,756,514
Operating transfer in (out)	(65,524)	-	-	220,000	154,476
Payment on KDHE loan	(3,748,612)	-	-	-	(3,748,612)
Payment on general obligation bonds	<u>(3,135,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,135,000)</u>
Net cash provided (used) for capital and related financing activities	\$ <u>(418,531)</u>	\$ <u>(166,723)</u>	\$ <u>(12,362)</u>	\$ <u>(176,517)</u>	\$ <u>(774,133)</u>
<u>Cash Flows from Investing Activities</u>					
Interest income	\$ 10,254	\$ 5,405	\$ 1,886	\$ 1,988	\$ 19,533
Royalty revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,086</u>	<u>80,086</u>
Net cash provided by investing activities	\$ <u>10,254</u>	\$ <u>5,405</u>	\$ <u>1,886</u>	\$ <u>82,074</u>	\$ <u>99,619</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 214,513	\$ (806,242)	\$ 130,676	\$ 21,579	\$ (439,474)
Cash and Cash Equivalents at Beginning of Year	<u>3,458,515</u>	<u>1,702,704</u>	<u>709,708</u>	<u>784,233</u>	<u>6,655,160</u>
Cash and Cash Equivalents at End of Year	\$ <u>3,673,028</u>	\$ <u>896,462</u>	\$ <u>840,384</u>	\$ <u>805,812</u>	\$ <u>6,215,686</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

Statement 7  
(Continued)STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended December 31, 2011

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided (Used) by Operating Activities</u>					
Operating Income (Loss)	\$ <u>933,133</u>	\$ <u>(329,857)</u>	\$ <u>150,229</u>	\$ <u>(1,228,649)</u>	\$ <u>(475,144)</u>
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation expense	\$ 498,260	\$ 374,097	\$ 23,355	\$ 796,314	\$ 1,692,026
Changes in Assets and Liabilities:					
Decrease (increase) in accounts receivable	(67,307)	(13,745)	(22,470)	(4,000)	(107,522)
Decrease (increase) in prepaid expenses	(663)	(159)	269	(388)	(941)
Decrease (increase) in inventory	(2,151)	6,090	(12,243)	-	(8,304)
(Decrease) increase in unapplied credits	(492)	-	212	(1,042)	(1,322)
(Decrease) increase in accrued compensated absences	(6,260)	4,231	5,854	175	4,000
(Decrease) increase in accounts payable	(316,410)	(689,399)	(6,842)	10,436	(1,002,215)
(Decrease) increase in accrued salaries	(1,693)	3,818	2,788	610	5,523
(Decrease) increase in water contracts payable	(80,524)	-	-	-	(80,524)
Total adjustments	\$ <u>22,760</u>	\$ <u>(315,067)</u>	\$ <u>(9,077)</u>	\$ <u>802,105</u>	\$ <u>500,721</u>
Net Cash Provided by Operating Activities	\$ <u>955,893</u>	\$ <u>(644,924)</u>	\$ <u>141,152</u>	\$ <u>(426,544)</u>	\$ <u>25,577</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 8

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

December 31, 2011

	<u>Agency Funds</u>				
	<u>Insurance</u>	<u>Municipal Court</u>	<u>Health Insurance Reserve</u>	<u>Employee Cafeteria Fund</u>	<u>Payroll Fund</u>
					<u>Total</u>
ASSETS					
Cash, including time deposits	\$ <u>8,994</u>	\$ <u>66,490</u>	\$ <u>1,270,929</u>	\$ <u>2,652</u>	\$ <u>63</u>
					\$ <u>1,349,128</u>
LIABILITIES					
Due others	\$ <u>8,994</u>	\$ <u>66,490</u>	\$ <u>1,270,929</u>	\$ <u>2,652</u>	\$ <u>63</u>
					\$ <u>1,349,128</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF LIBERAL, KANSAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberal, Kansas is a municipal corporation governed by an elected five-member commission. The City's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the City owns and operates a water, sewer and sanitation system.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted accounting in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

#### A. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City



CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Discretely presented component units of the City of Liberal, Kansas are as follows:

1. Housing Authority – An appointed City board operates the City’s housing projects. The authority can sue and be sued, and can buy, sell or lease real property. Bond issuances must be approved by the City. The authority has a year end of September 30. Copies of the financial statements may be obtained from the Housing Authority located at Parklane Towers, 1401 N. New York Ave., Liberal, Kansas.
2. Library Board – An appointed City board operates the municipal library. The City Commissioners must approve acquisition or disposition of real property. Bond issuances must also be approved by the City’s governing body. Copies of the financial statements may be obtained from the Library located at 519 N. Kansas, Liberal, Kansas.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each on which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally or administratively restricted to expenditures for certain purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by enterprise funds). The reporting entity includes only one Capital Projects Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt and the financing of special assessments that are general obligations of the City (other than debt service payments made by enterprise funds).

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Proprietary Fund:

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements):

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources segregated for the acquisition of major capital facilities (other than those financed by enterprise funds).

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following major proprietary funds:

The Water Fund accounts for the water services to residents of the City and some residents of the County.

The Sewer Fund accounts for the sewer services to residents of the City and some residents of the County.

The Sanitation Fund accounts for the pick-up service of trash and garbage to the residents of the City and some residents of the County.

The Airport Fund accounts for all income and revenue derived from the operations of the Airport Industrial Park.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand and savings accounts and certificates of deposits of the City. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

Receivables and Payables

Activity between funds that are outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The City records water revenue billed to its customers when meters are read on a monthly basis. Charges for sewage treatment and refuse services are billed monthly.

Only amounts of delinquent tax collected by the County Treasurer are included as receivables. Records of back tax are such that it is impracticable to ascertain the amounts that represent receivables.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Receivables and Payables (Continued)

Receivables of the general and special revenue funds are not available as resources that can be used to finance the current year operations of the City and, consequently, are offset by reserves in the fund statements for control purposes.

With the exception of back taxes, accounts receivable, which were considered doubtful as to collectibility, have been charged off. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

Inventories and Prepaid Items

Inventories in the general fund consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method. Inventories are expensed when purchased for fund financials and expensed when used for government-wide financials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 to 50 years
Motor vehicles and motorized equipment	3 to 7 years
Furniture, machinery and equipment	5 to 8 years
Extensions	50 years
Infrastructure	20 to 90 years

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

The City has a collection of airplanes presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Compensated Absences

The City accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. Sick leave is not required to be accrued as of December 31, 2011.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by other governments, creditors or grantors.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Revenues, Expenditures and Expenses

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

Collection of current year property taxes by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues, Expenditures and Expenses (Continued)

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. Principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Requirements, Accounting and Reporting

Requirements for all funds:

- A. Annual budgets are adopted for most City funds. Such budgets are based on expected expenditures by program within a fund and estimated resources by source for all funds. Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:
  - a. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
  - b. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
  - c. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
  - d. Adoption of the final budget on or before August 25<sup>th</sup>.
- B. For day-to-day management control, expenditures plus encumbrances may not exceed budget at the expenditure-type (i.e., personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within a fund).

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budget Requirements, Accounting and Reporting (Continued)

- C. The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.
- D. The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.
- E. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.
- F. A legal operating budget is not required for capital projects funds, fiduciary type funds and the following special revenue funds:
  - a. Municipal Equipment Fund
  - b. Bequest Fund
  - c. Diversion Program Fund
  - d. Cemetery Perpetual Fund
  - e. Fire Insurance Proceeds Fund
  - f. Sobriety Checkpoint Grant Fund
  - g. COPS Technology Grant Fund
  - h. Edward Byrne Memorial Fund

Spending in funds, which are not subject to the legal annual operating budget requirement, are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

- G. During the year ended December 31, 2011 the City did not over expend the legal operating budget in any fund.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Note 3: DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City of Liberal. The statute requires banks eligible to hold the City of Liberal's funds have a main or branch bank in the county in which the City of Liberal is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City of Liberal has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City of Liberal's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City of Liberal has no investment policy that would further limit its investment choices.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City of Liberal's deposits may not be returned or the City of Liberal will not be able to recover collateral securities in the possession of an outside party. The City of Liberal's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The City of Liberal Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the City Treasurer. Custodial credit risk for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

Deposits of the City of Liberal's reporting entity are insured or collateralized with securities held by the City of Liberal, its agent, or by the pledging financial institutions' trust department or agent in the name of the City of Liberal or applicable public trust.

At December 31, 2011, the City of Liberal's carrying amount of deposits, including certificates of deposit, was \$18,048,664. The bank balance was \$18,427,291. Of the bank balance, \$750,000 was covered by FDIC insurance and the remaining \$17,677,291 was collateralized with securities held by the pledging financial institution's agent in the City of Liberal's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Liberal will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 3: DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2011, the City of Liberal's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Risk</u>
Primary Government			
<u>Pooled Investments</u>			
Kansas Municipal Investment Pool:			
General Government	\$1,030,052	\$1,030,052	
Health Insurance Reserve	1,050,175	1,050,175	

Government pools are considered a cash equivalent on the government-wide statement of net assets.

City Investment Policy

The City of Liberal's current investment policy is complying with state statutes as to type of investments allowed. The City is currently in the process of developing a more detailed policy that will be more detailed in the assessment of credit risk and interest rate risk.

The City has historically only used investments in U.S. Agency Notes with short-term maturities. These policies have left the City with relatively low levels of credit risk and interest rate risk.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 1,571,751	\$ 26,224	\$ 42,111	-	\$ 1,555,864
Construction in progress	<u>2,686,115</u>	<u>1,019,731</u>	<u>2,519,940</u>	<u>-</u>	<u>1,185,906</u>
Total capital assets, not being depreciated	<u>\$ 4,257,866</u>	<u>\$1,045,955</u>	<u>\$2,562,051</u>	<u>-</u>	<u>\$ 2,741,770</u>
Capital Assets, Being Depreciated:					
Buildings	\$ 8,417,797	\$ 512,019	\$ 3,851	\$ -	\$ 8,925,965
Structures and improvements other than buildings	7,698,137	170,361	4,314	-	7,864,184
Machinery, equipment, furniture and fixtures	4,812,258	301,146	225,375	(2,642)	4,885,387
Vehicles	4,535,102	110,512	125,080	4,336	4,524,870
Streets and other assets	<u>56,632,524</u>	<u>3,411,970</u>	<u>14,013</u>	<u>-</u>	<u>60,030,481</u>
Total capital assets, being depreciated	<u>\$82,095,818</u>	<u>\$4,506,008</u>	<u>\$ 372,633</u>	<u>\$ 1,694</u>	<u>\$86,230,887</u>
<u>Less – Accumulated Depreciation for:</u>					
Buildings	\$ 4,094,228	\$ 237,395	\$ 3,851	\$ -	\$ 4,327,772
Structures and improvements other than buildings	1,930,336	324,167	4,314	-	2,250,189
Machinery, equipment, furniture and fixtures	3,852,652	332,173	228,101	(2,642)	3,954,082
Vehicles	3,741,327	290,285	125,080	16,005	3,922,537
Streets and other assets	<u>30,440,958</u>	<u>1,156,489</u>	<u>9,785</u>	<u>-</u>	<u>31,587,662</u>
Total accumulated depreciation	<u>\$44,059,501</u>	<u>\$2,340,509</u>	<u>\$ 371,131</u>	<u>\$ 13,363</u>	<u>\$46,042,242</u>
 Total Capital Assets, Being Depreciated, Net	<u>\$38,036,317</u>	<u>\$2,165,499</u>	<u>\$ 1,502</u>	<u>\$ (11,669)</u>	<u>\$40,188,645</u>
Governmental Activities Capital Assets, Net	<u>\$42,294,183</u>	<u>\$3,211,454</u>	<u>\$2,563,553</u>	<u>\$ (11,669)</u>	<u>\$42,930,415</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 4,180,400	\$ -	\$ -	-	\$ 4,180,400
Construction in progress	<u>2,352,959</u>	<u>278,597</u>	<u>2,243,872</u>	-	<u>387,684</u>
Total capital assets, not being depreciated	<u>\$ 6,533,359</u>	<u>\$ 278,597</u>	<u>\$2,243,872</u>	-	<u>\$ 4,568,084</u>
Capital Assets, Being Depreciated:					
Buildings	\$ 9,183,680	\$ 449,500	\$ 5,100	\$ -	\$ 9,628,080
Structures and improvements other than buildings	33,119,006	1,838,208	39,986	-	34,917,228
Machinery, equipment, furniture and fixtures	3,142,081	68,546	23,929	2,642	3,189,340
Vehicles	<u>1,822,651</u>	<u>383,055</u>	<u>265,676</u>	<u>(4,336)</u>	<u>1,935,694</u>
Total capital assets, being depreciated	<u>\$47,267,418</u>	<u>\$2,739,309</u>	<u>\$ 334,691</u>	<u>\$ (1,694)</u>	<u>\$49,670,342</u>
<u>Less</u> – Accumulated Depreciation for:					
Buildings	\$ 6,892,084	\$ 205,466	\$ 2,366	\$ -	\$ 7,095,184
Structures and improvements other than buildings	13,109,297	1,346,308	39,478	-	14,416,127
Machinery, equipment, furniture and fixtures	2,425,297	62,263	45,029	2,642	2,445,173
Vehicles	<u>1,681,912</u>	<u>77,989</u>	<u>265,676</u>	<u>(16,005)</u>	<u>1,478,220</u>
Total accumulated depreciation	<u>\$24,108,590</u>	<u>\$1,692,026</u>	<u>\$ 352,549</u>	<u>\$ (13,363)</u>	<u>\$25,434,704</u>
Total Capital Assets, Being Depreciated, Net	<u>\$23,158,828</u>	<u>\$1,047,283</u>	<u>\$ (17,858)</u>	<u>\$ 11,669</u>	<u>\$24,235,638</u>
Business-Type Activities Capital Assets, Net	<u>\$29,692,187</u>	<u>\$1,325,880</u>	<u>\$2,226,014</u>	<u>\$ 11,669</u>	<u>\$28,803,722</u>



CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:

General Government:

Administration	\$ 111,944
Building inspection	6,367
Utility billing	923

Public Safety:

Police	231,613
Fire	205,463
Municipal Court	4,995
Communications	603

Public Works:

Transportation	1,294,090
Engineering	1,776
Recreation	36,283
Arkalon	48,946
Street lighting	9,694

Community Service:

Golf course	56,822
Parks	55,039
Swimming pool	224,855
Cemeteries	18,693
Air Museum	4,161
Convention and Tourism	9,868

Community/Economic Development:

Urban Development and Housing	13,416
Economic Development	<u>4,958</u>

Total Governmental Activities Depreciation Expense \$2,340,509

Business-Type Activities:

Water	\$ 498,260
Sanitation	23,355
Sewer	374,097
Airport	<u>796,314</u>

Total Business-Type Activities Depreciation Expense \$1,692,026

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2011 is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Purpose</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	Entity share	Street Drainage & Capital Improvements Fund	\$ <u>687,489</u>

All balances are expected to be paid within one year.

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Air Museum Fund	\$ 160,000
	Communication Center Fund	390,176
	Employee Benefits	75,000
Street Drainage & Capital Improvements	Bond and Interest Fund	437,628
Tourism Fund	Air Museum Fund	20,000
Water Fund	General Fund	65,524
Municipal Equipment Reserve Fund	General Fund	445,195
Special Economic Development Fund	Airport Fund	<u>220,000</u>
Total		<u>\$1,813,523</u>

The transfers listed above were made according to the approved budget except for the transfers to the Bond and Interest Fund, which were made in accordance with KSA 12-6a16.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 6: LONG-TERM DEBT

Lease Purchase Contracts

The City of Liberal, Kansas has entered into several lease purchase contracts. Contracts outstanding at year end are as follows:

<u>Fund</u>	<u>Interest Rates</u>	<u>Amount</u>
General	5.5%	\$ 32,013
General	4.724%	<u>1,211,071</u>
		<u>\$1,243,084</u>

Lease purchase debt service requirements to maturity, including \$478,005 of interest, are as follows:

<u>Year</u>	<u>General Fund</u>
2012	\$ 133,599
2013	133,599
2014	116,351
2015	116,351
2016	116,351
2017-2021	581,753
2022-2026	<u>523,085</u>
	<u>\$1,721,089</u>

General Obligation Bonds

The City of Liberal, Kansas issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be issued to refund both general obligation and revenue bonds.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 6: LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.00%	\$1,635,000
Business-type activities – Water	4.00% - 4.250%	<u>6,735,000</u>
		<u>\$8,370,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 385,000	\$ 59,405	\$ 535,000	\$ 188,146
2013	405,000	37,500	525,000	208,750
2014	420,000	25,350	540,000	192,600
2015	425,000	12,750	555,000	174,750
2016	-	-	575,000	154,900
2017-2021	-	-	2,855,000	441,975
2022-2025	-	-	<u>1,150,000</u>	<u>63,819</u>
	<u>\$1,635,000</u>	<u>\$135,005</u>	<u>\$6,735,000</u>	<u>\$1,424,940</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 6: LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$2,425,000	\$1,635,000	\$2,425,000	\$1,635,000	\$ 385,000
Capital leases	1,314,741	-	71,657	1,243,084	75,325
Compensated absences	<u>594,796</u>	<u>631,986</u>	<u>594,796</u>	<u>631,986</u>	<u>631,986</u>
Governmental activity					
long-term liabilities	<u>\$4,334,537</u>	<u>\$2,266,986</u>	<u>\$3,091,453</u>	<u>\$3,510,070</u>	<u>\$1,092,311</u>
Business-Type Activities:					
General obligation bonds	\$3,135,000	\$3,850,000	\$ 250,000	\$6,735,000	\$ 535,000
Compensated absences	88,211	92,211	88,211	92,211	92,211
KDHE loan payable	<u>3,748,612</u>	<u>-</u>	<u>3,748,612</u>	<u>-</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$6,971,823</u>	<u>\$3,942,211</u>	<u>\$4,086,823</u>	<u>\$6,827,211</u>	<u>\$ 627,211</u>

Note 7: DEFINED BENEFIT PENSION PLAN

The City of Liberal, Kansas contributes to the Kansas Public Employees Retirement System (KPERS), and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009 and 6% for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2011 is 6.74%. The City of Liberal, Kansas employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$450,735, \$391,470 and \$326,860, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2011 is 14.57%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City of Liberal contributions to KP&F for the years ending December 31, 2011, 2010 and 2009 were \$389,082, \$339,785 and \$344,105, respectively, equal to the required contributions for each year.

Note 8: RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

The City of Liberal, Kansas established a health benefit plan for active full time employees who are working full normal work-weeks (not less than 30 hours) and are receiving full compensation. The City will pay benefits up to \$40,000 per covered person each benefit year. Claim payments under the plan will be administered by Blue Cross/Blue Shield of Kansas. Blue Cross/Blue Shield of Kansas insures against claims in excess of the \$40,000 limit up to \$2,000,000. The benefit year is a period of 12 months starting on January 1 and ending December 31.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

(Continued)

Note 9: CONTINGENT LIABILITIES AND COMMITMENTS

Federal Assistance

The City of Liberal participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives for audits of these programs for or including the year ending December 31, 2011.

It is possible that the City's compliance with applicable grant agreements may be established at some future date. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this date, although the City expects such amounts, if any, to be immaterial.

Environmental Issues

Environmental issues pertaining to the City of Liberal are subject to state and federal requirements. The amount of expenditures required, if any, is not presently ascertainable.

Note 10: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$2,130,429.

Note 11: AIRPORT LEASES

The City of Liberal leases space at the municipal airport to individuals and businesses. The lease contracts are for one year terms. The revenue is reported in the Airport Proprietary Fund.

CITY OF LIBERAL, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION



## CITY OF LIBERAL, KANSAS

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2011

<u>Revenue</u>	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Taxes:			
Ad valorem property tax	\$2,918,918	\$2,815,325	\$ (103,593)
Back tax collections	-	95,607	95,607
Franchise	1,635,000	1,821,800	186,800
Motor vehicle tax	<u>453,448</u>	<u>428,622</u>	<u>(24,826)</u>
Total taxes	<u>\$5,007,366</u>	<u>\$5,161,354</u>	<u>\$ 153,988</u>
Intergovernmental:			
Local sales tax	\$2,600,000	\$2,686,678	\$ 86,678
Private club liquor tax	28,000	30,227	2,227
Highway connecting links	33,000	33,162	162
Administrative fees	<u>355,000</u>	<u>355,000</u>	<u>-</u>
Total intergovernmental	<u>\$3,016,000</u>	<u>\$3,105,067</u>	<u>\$ 89,067</u>
Licenses and Permits:			
Building permits	\$ 33,750	\$ 38,401	\$ 4,651
Occupational licenses	20,000	24,128	4,128
Other licenses and fees	18,500	40,200	21,700
Vehicle inspections	<u>20,000</u>	<u>22,947</u>	<u>2,947</u>
Total licenses and permits	<u>\$ 92,250</u>	<u>\$ 125,676</u>	<u>\$ 33,426</u>
Charges and Services:			
Cemetery	\$ 35,800	\$ 41,668	\$ 5,868
Park fees, concessions	6,000	19,553	13,553
Swimming pool, concessions	247,500	211,844	(35,656)
Vehicle service charges	12,000	6,860	(5,140)
Recreation	83,700	95,138	11,438
Arkalon Park revenues	9,350	8,670	(680)
Golf course fees and other	396,500	371,173	(25,327)
Police	4,100	6,209	2,109
Animal shelter	16,000	8,679	(7,321)
Street lighting	2,500	2,544	44
Building Inspection Department:			
Mowing and demolition	35,000	33,383	(1,617)
Zoning and planning fees	<u>2,000</u>	<u>1,375</u>	<u>(625)</u>
Total charges and services	<u>\$ 850,450</u>	<u>\$ 807,096</u>	<u>\$ (43,354)</u>

## CITY OF LIBERAL, KANSAS

Schedule 1  
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenue (Continued)</u>			
Fines and Fees:			
Municipal Court	\$ <u>776,000</u>	\$ <u>834,566</u>	\$ <u>58,566</u>
Use of Money and Property:			
Interest	\$ <u>50,000</u>	\$ <u>21,792</u>	\$ (28,208)
Royalties and leases	<u>126,000</u>	<u>120,255</u>	(5,745)
Row water sales	<u>-</u>	<u>52,520</u>	<u>52,520</u>
Total use of money and property	\$ <u>176,000</u>	\$ <u>194,567</u>	\$ <u>18,567</u>
Miscellaneous:			
Other	\$ <u>14,000</u>	\$ <u>40,275</u>	\$ <u>26,275</u>
Contributions	\$ <u>20,000</u>	\$ <u>20,000</u>	-
Grant proceeds	<u>-</u>	\$ <u>24,001</u>	\$ <u>24,001</u>
Total revenue	\$ <u>9,952,066</u>	\$ <u>10,312,602</u>	\$ <u>360,536</u>
<u>Expenditures</u>			
General Government:			
Administration	\$1,816,380	\$ 1,640,939	\$175,441
Planning Commission	6,800	1,005	5,795
Building inspection	373,750	418,327	(44,577)
Legislative	87,500	58,794	28,706
Utility billing	<u>202,600</u>	<u>176,361</u>	<u>26,239</u>
Total general government	\$ <u>2,487,030</u>	\$ <u>2,295,426</u>	\$ <u>191,604</u>
Public Safety:			
Police	\$3,800,076	\$ 3,230,505	\$569,571
Fire	1,258,700	1,191,315	67,385
Municipal court	673,300	690,126	(16,826)
Animal control	<u>290,920</u>	<u>253,633</u>	<u>37,287</u>
Total public safety	\$ <u>6,022,996</u>	\$ <u>5,365,579</u>	\$ <u>657,417</u>
Economic Development	\$ <u>146,550</u>	\$ <u>142,543</u>	\$ <u>4,007</u>

## CITY OF LIBERAL, KANSAS

Schedule 1  
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2011

<u>Expenditures (Continued)</u>	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Public Works:			
Transportation	\$ 1,161,500	\$ 987,272	\$ 174,228
Engineering	128,150	88,090	40,060
Recreation	431,000	418,429	12,571
Arkalon	54,850	38,838	16,012
Street lighting	<u>200,000</u>	<u>204,090</u>	<u>(4,090)</u>
Total public works	<u>\$ 1,975,500</u>	<u>\$ 1,736,719</u>	<u>\$ 238,781</u>
Community Service:			
Golf course	\$ 599,548	\$ 563,862	\$ 35,686
Parks	578,400	481,669	96,731
Swimming pool	287,300	301,988	(14,688)
Cemeteries	<u>158,500</u>	<u>139,132</u>	<u>19,368</u>
Total community service	<u>\$ 1,623,748</u>	<u>\$ 1,486,651</u>	<u>\$ 137,097</u>
Total expenditures	<u>\$12,255,824</u>	<u>\$11,026,918</u>	<u>\$1,228,906</u>
Revenue over (under) expenditures	\$ (2,303,758)	\$ (714,316)	\$1,589,442
Other Fund Financing Sources (Uses):			
Operating transfer in	-	510,719	510,719
Operating transfer (out)	<u>(550,176)</u>	<u>(625,176)</u>	<u>(75,000)</u>
Revenue over (under) expenditures and other financing sources (uses)	<u>\$ (2,853,934)</u>	<u>\$ (828,773)</u>	<u>\$2,025,161</u>
Fund Balances, January 1	2,853,934	2,230,468	(623,466)
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	-	104,406	104,406
Encumbrances	<u>-</u>	<u>11,872</u>	<u>11,872</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 1,517,973</u>	<u>\$1,517,973</u>

CITY OF LIBERAL, KANSAS

OTHER SUPPLEMENTARY INFORMATION

## CITY OF LIBERAL, KANSAS

Schedule 2

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2011

	<u>Library</u>	<u>Special Fire Equipment Reserve</u>	<u>Communication Center</u>	<u>Employees' Benefits</u>	<u>Special City Streets</u>	<u>Special Parks &amp; Recreation</u>	<u>Tourism</u>	<u>Special Alcoholic Treatment</u>
<b>ASSETS</b>								
Cash, including time deposits	\$ -	\$144,567	\$ 89,755	\$ 78,570	\$403,155	\$ 4,567	\$523,042	\$ 28,189
Cash, restricted	-	-	50,628	-	301,524	-	-	-
Taxes receivable	517,737	43,429	-	1,299,141	-	-	-	-
Receivable from other governments	-	-	-	-	134,511	8,933	111,924	8,933
Interest receivable	-	-	12	-	-	-	-	-
Inventory	-	-	80	-	-	-	14,511	-
Prepaid expenses	-	-	5,061	33,242	-	-	895	-
Total Assets	<u>\$517,737</u>	<u>\$187,996</u>	<u>\$145,536</u>	<u>\$1,410,953</u>	<u>\$839,190</u>	<u>\$ 13,500</u>	<u>\$650,372</u>	<u>\$ 37,122</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<u>Liabilities</u>								
Accounts payable	\$ -	\$ -	\$ 1,009	\$ 4,488	\$ -	-	\$ 14,095	-
Accrued wages and benefits	-	-	25,646	69,994	8,746	-	6,579	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	500,321	41,798	-	1,261,647	-	-	-	-
Total liabilities	<u>\$500,321</u>	<u>\$ 41,798</u>	<u>\$ 26,655</u>	<u>\$1,336,129</u>	<u>\$ 8,746</u>	<u>-</u>	<u>\$ 20,674</u>	<u>-</u>
<u>Fund Balances</u>								
Nonspendable for receivables	\$ 17,416	\$ 1,631	\$ 12	\$ 37,494	\$134,511	\$ 8,933	\$111,924	\$ 8,933
Nonspendable for prepaid expenses	-	-	5,061	33,242	-	-	895	-
Nonspendable for inventory	-	-	80	-	-	-	14,511	-
Assigned for encumbrances	-	-	2,296	-	-	-	-	-
Assigned to Special Revenue Funds	-	144,567	111,432	4,088	695,933	4,567	502,368	28,189
Total fund balances	<u>\$ 17,416</u>	<u>\$146,198</u>	<u>\$118,881</u>	<u>\$ 74,824</u>	<u>\$830,444</u>	<u>\$ 13,500</u>	<u>\$629,698</u>	<u>\$ 37,122</u>
Total Liabilities and Fund Balances	<u>\$517,737</u>	<u>\$187,996</u>	<u>\$145,536</u>	<u>\$1,410,953</u>	<u>\$839,190</u>	<u>\$ 13,500</u>	<u>\$650,372</u>	<u>\$ 37,122</u>

## CITY OF LIBERAL, KANSAS

Schedule 2  
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2011

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Air Museum</u>	<u>Municipal Equipment Reserve</u>	<u>Bequest</u>
<b>ASSETS</b>								
Cash, including time deposits	\$357,781	\$415,965	\$832,998	\$2,390,774	\$1,851,276	\$ 21,212	\$1,167,782	\$262,518
Cash, restricted	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Receivable from other governments	16,365	49,096	16,365	49,096	196,386	7,500	-	-
Interest receivable	29	34	68	196	152	-	-	-
Inventory	-	-	-	-	-	29,180	-	-
Prepaid expenses	<u>165</u>	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,086</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$374,340</u>	<u>\$465,221</u>	<u>\$849,431</u>	<u>\$2,440,066</u>	<u>\$2,047,814</u>	<u>\$ 59,978</u>	<u>\$1,167,782</u>	<u>\$262,518</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<u>Liabilities</u>								
Accounts payable	\$ 1,681	\$ 20,518	\$ 4,284	\$ 32	\$ 1,597	\$ 2,544	\$ 573	\$ 2,021
Accrued wages and benefits	6,173	6,774	859	-	5,243	7,792	-	2,344
Due to other funds	-	-	-	-	687,489	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>\$ 7,854</u>	<u>\$ 27,292</u>	<u>\$ 5,143</u>	<u>\$ 32</u>	<u>\$ 694,329</u>	<u>\$ 10,336</u>	<u>\$ 573</u>	<u>\$ 4,365</u>
<u>Fund Balances</u>								
Nonspendable for receivables	\$ 16,394	\$ 49,130	\$ 16,433	\$ 49,292	\$ 196,538	\$ 7,500	\$ -	\$ -
Nonspendable for prepaid expenses	165	126	-	-	-	2,086	-	-
Nonspendable for inventory	-	-	-	-	-	29,180	-	-
Assigned for encumbrances	-	-	-	-	-	-	113,780	-
Assigned to Special Revenue Funds	<u>349,927</u>	<u>388,673</u>	<u>827,855</u>	<u>2,390,742</u>	<u>1,156,947</u>	<u>10,876</u>	<u>1,053,429</u>	<u>258,153</u>
Total fund balances	<u>\$366,486</u>	<u>\$437,929</u>	<u>\$844,288</u>	<u>\$2,440,034</u>	<u>\$1,353,485</u>	<u>\$ 49,642</u>	<u>\$1,167,209</u>	<u>\$258,153</u>
Total Liabilities and Fund Balances	<u>\$374,340</u>	<u>\$465,221</u>	<u>\$849,431</u>	<u>\$2,440,066</u>	<u>\$2,047,814</u>	<u>\$ 59,978</u>	<u>\$1,167,782</u>	<u>\$262,518</u>

## CITY OF LIBERAL, KANSAS

Schedule 2  
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2011

	<u>Diversion Program</u>	<u>Cemetery Perpetual</u>	<u>Fire Insurance Proceeds</u>	<u>Sobriety Checkpoint Grant</u>	<u>COPS Technology Grant</u>	<u>Edward Byrne Memorial</u>	<u>Total Nonmajor Special Revenue</u>
<b>ASSETS</b>							
Cash, including time deposits	\$110,557	\$ 29,544	\$ 4,481	-	-	\$ (15,080)	\$ 8,701,653
Cash, restricted	-	-	-	-	-	-	352,152
Taxes receivable	-	-	-	-	-	-	1,860,307
Receivable from other governments	-	-	-	-	-	16,779	615,888
Interest receivable	-	-	-	-	-	-	491
Inventory	-	-	-	-	-	-	43,771
Prepaid expenses	-	-	-	-	-	-	41,575
Total Assets	<u>\$110,557</u>	<u>\$ 29,544</u>	<u>\$ 4,481</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$11,615,837</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<u>Liabilities</u>							
Accounts payable	\$ 905	\$ -	-	-	-	-	\$ 53,747
Accrued wages and benefits	-	-	-	-	-	-	140,150
Due to other funds	-	-	-	-	-	-	687,489
Deferred revenue	-	632	-	-	-	-	1,804,398
Total liabilities	<u>\$ 905</u>	<u>\$ 632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 2,685,784</u>
<u>Fund Balances</u>							
Nonspendable for receivables	\$ -	\$ -	\$ -	-	-	\$ 16,779	\$ 672,920
Nonspendable for prepaid expenses	-	-	-	-	-	-	41,575
Nonspendable for inventory	-	-	-	-	-	-	43,771
Assigned for encumbrances	1,550	-	-	-	-	-	117,626
Assigned to Special Revenue Funds	108,102	28,912	4,481	-	-	(15,080)	8,054,161
Total fund balances	<u>\$109,652</u>	<u>\$ 28,912</u>	<u>\$ 4,481</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$ 8,930,053</u>
Total Liabilities and Fund Balances	<u>\$110,557</u>	<u>\$ 29,544</u>	<u>\$ 4,481</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$11,615,837</u>

CITY OF LIBERAL, KANSAS

Schedule 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2011

	<u>Library</u>	<u>Special Fire Equipment Reserve</u>	<u>Communication Center</u>	<u>Employees' Benefits</u>	<u>Special City Streets</u>	<u>Special Parks &amp; Recreation</u>	<u>Tourism</u>	<u>Special Alcoholic Treatment</u>
<u>Revenues</u>								
Taxes	\$551,690	\$ 46,929	\$ -	\$1,316,285	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	260,118	-	529,410	30,227	402,549	30,228
Charges for services	-	-	-	-	-	-	16,865	-
Use of money and property	-	-	379	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other	-	-	585	966	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Total revenues	<u>\$551,690</u>	<u>\$ 46,929</u>	<u>\$ 261,082</u>	<u>\$1,317,251</u>	<u>\$ 529,410</u>	<u>\$ 30,227</u>	<u>\$419,414</u>	<u>\$ 30,228</u>
<u>Expenditures</u>								
Public safety	\$ -	-	\$ 646,290	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-	668,833	27,998	-	-
Community services	551,690	-	-	-	-	-	277,974	-
Health and welfare	-	-	-	-	-	-	-	35,000
Employees' benefits	-	-	-	1,390,000	-	-	-	-
Urban development and housing	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>\$551,690</u>	<u>-</u>	<u>\$ 646,290</u>	<u>\$1,390,000</u>	<u>\$ 668,833</u>	<u>\$ 27,998</u>	<u>\$277,974</u>	<u>\$ 35,000</u>
Revenue over (under) expenditures	\$ -	\$ 46,929	\$ (385,208)	\$ (72,749)	\$ (139,423)	\$ 2,229	\$141,440	\$ (4,772)
Other Financing Sources (Uses):								
Operating transfers in (out)	-	-	390,176	75,000	-	-	(20,000)	-
Fund Balances, January 1	15,938	98,283	115,063	74,099	972,906	9,592	493,776	40,215
Other Changes:								
Increase or (decrease) in reserves	<u>1,478</u>	<u>986</u>	<u>(1,150)</u>	<u>(1,526)</u>	<u>(3,039)</u>	<u>1,679</u>	<u>14,482</u>	<u>1,679</u>
Fund Balances, December 31	<u>\$ 17,416</u>	<u>\$146,198</u>	<u>\$ 118,881</u>	<u>\$ 74,824</u>	<u>\$ 830,444</u>	<u>\$ 13,500</u>	<u>\$629,698</u>	<u>\$ 37,122</u>



CITY OF LIBERAL, KANSAS

Schedule 3  
(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2011

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Air Museum</u>	<u>Municipal Equipment Reserve</u>	<u>Bequest</u>
<u>Revenues</u>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	193,626	387,253	387,253	968,132	1,936,264	30,000	-	-
Charges for services	3,250	-	-	-	-	61,401	-	-
Use of money and property	1,000	1,251	1,931	6,020	4,379	750	-	-
Contributions	-	-	-	-	-	1,904	-	178,414
Other	-	67,433	1,690	-	20,013	-	7,636	-
Grants	-	-	-	13,800	-	-	-	-
Total revenues	<u>\$197,876</u>	<u>\$ 455,937</u>	<u>\$390,874</u>	<u>\$ 987,952</u>	<u>\$1,960,656</u>	<u>\$ 94,055</u>	<u>\$ 7,636</u>	<u>\$178,414</u>
<u>Expenditures</u>								
Public safety	\$ -	\$ -	\$256,261	\$ -	\$ -	\$ -	\$ -	\$ 23,767
Public works	220,440	-	-	-	916,819	-	-	135,450
Community services	-	-	-	-	-	287,861	-	55,151
Health and welfare	-	-	-	-	-	-	-	-
Employees' benefits	-	-	-	-	-	-	-	-
Urban development and housing	-	591,668	-	-	-	-	-	-
Economic development	-	-	-	524,816	-	-	-	-
Capital outlay	-	-	-	-	-	-	203,674	-
Total expenditures	<u>\$220,440</u>	<u>\$ 591,668</u>	<u>\$256,261</u>	<u>\$ 524,816</u>	<u>\$ 916,819</u>	<u>\$ 287,861</u>	<u>\$ 203,674</u>	<u>\$214,368</u>
Revenue over (under) expenditures	\$ (22,564)	\$ (135,731)	\$134,613	\$ 463,136	\$1,043,837	\$ (193,806)	\$ (196,038)	\$ (35,954)
Other Financing Sources:								
Operating transfers in (out)	-	-	-	(220,000)	(437,628)	180,000	(445,195)	-
Fund Balances, January 1	388,332	555,867	724,602	2,326,004	707,291	59,334	1,808,442	294,107
Other Changes:								
Increase or (decrease) in reserves	<u>718</u>	<u>17,793</u>	<u>(14,927)</u>	<u>(129,106)</u>	<u>39,985</u>	<u>4,114</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$366,486</u>	<u>\$ 437,929</u>	<u>\$844,288</u>	<u>\$2,440,034</u>	<u>\$1,353,485</u>	<u>\$ 49,642</u>	<u>\$1,167,209</u>	<u>\$258,153</u>

## CITY OF LIBERAL, KANSAS

Schedule 3  
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2011

	<u>Diversion</u> <u>Program</u>	<u>Cemetery</u> <u>Perpetual</u>	<u>Fire</u> <u>Insurance</u> <u>Proceeds</u>	<u>Sobriety</u> <u>Checkpoint</u> <u>Grant</u>	<u>COPS</u> <u>Technology</u> <u>Grant</u>	<u>Edward Byrne</u> <u>Memorial</u>	<u>Total</u> <u>Nonmajor</u> <u>Special Revenue</u>
<u>Revenues</u>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,914,904
Intergovernmental	-	-	-	-	-	-	5,155,060
Charges for services	25,281	-	-	-	-	-	106,797
Use of money and property	-	632	11	-	-	-	16,353
Contributions	-	2,955	-	-	-	-	183,273
Other	-	-	3,805	-	-	-	102,128
Grants	-	-	-	2,807	200,000	21,771	238,378
Total revenues	<u>\$ 25,281</u>	<u>\$ 3,587</u>	<u>\$ 3,816</u>	<u>\$ 2,807</u>	<u>\$200,000</u>	<u>\$ 21,771</u>	<u>\$7,716,893</u>
<u>Expenditures</u>							
Public safety	\$ 18,618	\$ -	-	\$ 2,807	\$200,000	\$ 135,316	\$1,283,059
Public works	-	-	-	-	-	-	1,969,540
Community services	-	21,544	-	-	-	-	1,194,220
Health and welfare	-	-	-	-	-	-	35,000
Employees' benefits	-	-	-	-	-	-	1,390,000
Urban development and housing	-	-	-	-	-	-	591,668
Economic development	-	-	-	-	-	-	524,816
Capital outlay	-	-	-	-	-	-	203,674
Total expenditures	<u>\$ 18,618</u>	<u>\$ 21,544</u>	<u>-</u>	<u>\$ 2,807</u>	<u>\$200,000</u>	<u>\$ 135,316</u>	<u>\$7,191,977</u>
Revenue over (under) expenditures	\$ 6,663	\$ (17,957)	\$ 3,816	-	-	\$ (113,545)	\$ 524,916
Other Financing Sources (Uses):							
Operating transfers in (out)	-	-	-	-	-	-	(477,647)
Fund Balances, January 1	102,989	46,869	665	-	-	98,465	8,932,839
Other Changes:							
Increase or (decrease) in reserves	-	-	-	-	-	16,779	(50,055)
Fund Balances, December 31	<u>\$109,652</u>	<u>\$ 28,912</u>	<u>\$ 4,481</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$8,930,053</u>

CITY OF LIBERAL, KANSAS

Schedule 4-1

LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$485,218	\$467,176	\$ (18,042)
Back tax collections	15,000	15,508	508
Motor vehicle tax	<u>72,938</u>	<u>69,006</u>	<u>(3,932)</u>
Total revenue	\$573,156	\$551,690	\$ (21,466)
<u>Expenditures</u>			
Community Services:			
Appropriations to Library Board	<u>583,598</u>	<u>551,690</u>	<u>31,908</u>
Revenue over (under) expenditures	\$ (10,442)	\$ -	\$ 10,442
Fund Balances, January 1	10,442	15,938	5,496
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>1,478</u>	<u>1,478</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 17,416</u>	<u>\$ 17,416</u>

CITY OF LIBERAL, KANSAS

Schedule 4-2

SPECIAL FIRE EQUIPMENT RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 41,073	\$ 39,643	\$ (1,430)
Back tax collections	2,000	1,610	(390)
Motor vehicle tax	<u>6,927</u>	<u>5,676</u>	<u>(1,251)</u>
Total revenue	\$ 50,000	\$ 46,929	\$ (3,071)
<u>Expenditures</u>			
Public Safety – Fire Protection:			
Capital outlay	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Revenue over (under) expenditures	-	\$ 46,929	\$ 46,929
Fund Balances, January 1	-	98,283	98,283
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>986</u>	<u>986</u>
Fund Balances, December 31	<u>-</u>	<u>\$146,198</u>	<u>\$146,198</u>

## CITY OF LIBERAL, KANSAS

Schedule 4-3

COMMUNICATION CENTER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Seward County	\$ 260,118	\$ 260,118	\$ -
Use of Money and Property:			
Interest	-	379	379
Other	<u>-</u>	<u>585</u>	<u>585</u>
Total revenue	\$ <u>260,118</u>	\$ <u>261,082</u>	\$ <u>964</u>
<u>Expenditures</u>			
Public Safety:			
Personal services	\$ 635,860	\$ 603,804	\$ 32,056
Operation and maintenance	<u>79,430</u>	<u>42,136</u>	<u>37,294</u>
Total expenditures	\$ <u>715,290</u>	\$ <u>645,940</u>	\$ <u>69,350</u>
Revenue over (under) expenditures	\$ (455,172)	\$ (384,858)	\$ 70,314
Other Financing Sources (Uses):			
Operating transfer in	390,176	390,176	-
Fund Balances, January 1	64,996	115,063	50,067
Other Changes:			
Increase or (Decrease) in Reserves:			
Encumbrances	-	(350)	(350)
Receivables and prepaid expense	<u>-</u>	<u>(1,150)</u>	<u>(1,150)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>118,881</u>	\$ <u>118,881</u>

## CITY OF LIBERAL, KANSAS

Schedule 4-4

EMPLOYEES' BENEFITS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2011

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>
<u>Revenues</u>				
Taxes:				
Ad valorem property tax	\$1,174,393	\$1,174,393	\$1,133,152	\$ (41,241)
Back tax collections	15,000	15,000	33,479	18,479
Motor vehicle tax	155,607	155,607	149,654	(5,953)
Other income	<u>-</u>	<u>-</u>	<u>966</u>	<u>966</u>
Total revenue	\$1,345,000	\$1,345,000	\$1,317,251	\$ (27,749)
<u>Expenditures</u>				
Employees' Benefits	<u>1,345,000</u>	<u>1,390,000</u>	<u>1,390,000</u>	<u>-</u>
Revenue over (under) expenditures	-	\$ (45,000)	\$ (72,749)	\$ (27,749)
Other Financing Sources (Uses):				
Operating transfer in (out)	-	45,000	75,000	30,000
Fund Balances, January 1	-	-	74,099	74,099
Other Changes:				
Increase or (Decrease) in Reserves:				
Prepaid expenses and receivables	<u>-</u>	<u>-</u>	<u>(1,526)</u>	<u>(1,526)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>\$ 74,824</u>	<u>\$ 74,824</u>

CITY OF LIBERAL, KANSAS

Schedule 4-5

SPECIAL CITY STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
State of Kansas – Gasoline tax	\$ 552,110	\$ 529,410	\$ (22,700)
<u>Expenditures</u>			
Public works	<u>771,000</u>	<u>668,833</u>	<u>102,167</u>
Revenue over (under) expenditures	\$ (218,890)	\$ (139,423)	\$ 79,467
Fund Balances, January 1	218,890	972,906	754,016
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(3,039)</u>	<u>(3,039)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 830,444</u>	<u>\$830,444</u>

CITY OF LIBERAL, KANSAS

Schedule 4-6

SPECIAL PARKS AND RECREATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 28,000	\$ 30,227	\$ 2,227
<u>Expenditures</u>			
Public Works:			
Maintenance	<u>28,000</u>	<u>27,998</u>	<u>2</u>
Revenue over (under) expenditures	-	\$ 2,229	\$ 2,229
Fund Balances, January 1	-	9,592	9,592
Other Changes:			
Increase (decrease) in reserves	<u>-</u>	<u>1,679</u>	<u>1,679</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 13,500</u>	<u>\$ 13,500</u>



CITY OF LIBERAL, KANSAS

Schedule 4-7

TOURISM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transient guest tax	\$340,000	\$402,549	\$ 62,549
Charges for sales and services	<u>13,000</u>	<u>16,865</u>	<u>3,865</u>
Total revenue	<u>\$353,000</u>	<u>\$419,414</u>	<u>\$ 66,414</u>
<u>Expenditures</u>			
Community Services:			
Personal services	\$146,100	\$127,261	\$ 18,839
Operations	<u>206,900</u>	<u>150,713</u>	<u>56,187</u>
Total expenditures	<u>\$353,000</u>	<u>\$277,974</u>	<u>\$ 75,026</u>
Revenue over (under) expenditures	\$ -	\$141,440	\$141,440
Other Financing Sources (Uses):			
Operating transfer (out)	-	(20,000)	(20,000)
Fund Balances, January 1	28,986	493,776	464,790
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables, prepaid expense and inventory	<u>-</u>	<u>14,482</u>	<u>14,482</u>
Fund Balances, December 31	<u>\$ 28,986</u>	<u>\$629,698</u>	<u>\$600,712</u>

CITY OF LIBERAL, KANSAS

Schedule 4-8

SPECIAL ALCOHOLIC TREATMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 28,000	\$ 30,228	\$ 2,228
<u>Expenditures</u>			
Health – Alcoholic Treatment:			
Contractual services	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Revenue over (under) expenditures	\$ (7,000)	\$ (4,772)	\$ 2,228
Fund Balances, January 1	7,000	40,215	33,215
Other Changes:			
Increase or (decrease) in reserves	<u>-</u>	<u>1,679</u>	<u>1,679</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 37,122</u>	<u>\$ 37,122</u>

## CITY OF LIBERAL, KANSAS

Schedule 4-9

SPECIAL CITY BEAUTIFICATION FUND  
(5% OF 1% SALES TAX)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 144,838	\$193,626	\$ 48,788
Use of Money and Property:			
Interest	3,000	1,000	(2,000)
Charges for Services:			
Tree cost sharing	<u>8,000</u>	<u>3,250</u>	<u>(4,750)</u>
Total revenue	\$ <u>155,838</u>	\$ <u>197,876</u>	\$ <u>42,038</u>
<u>Expenditures</u>			
Public works:			
Personal services	\$ 120,000	\$130,070	\$ (10,070)
Contractual	<u>198,245</u>	<u>90,370</u>	<u>107,875</u>
Total expenditures	\$ <u>318,245</u>	\$ <u>220,440</u>	\$ <u>97,805</u>
Revenue over (under) expenditures	\$ (162,407)	\$ (22,564)	\$139,843
Fund Balances, January 1	162,407	388,332	225,925
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expenses	<u>-</u>	<u>718</u>	<u>718</u>
Fund Balances, December 31	<u>-</u>	\$ <u>366,486</u>	\$ <u>366,486</u>

CITY OF LIBERAL, KANSAS

Schedule 4-10

SPECIAL HOUSING FUND  
(15% OF 1% SALES TAX)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 289,673	\$ 387,253	\$ 97,580
Use of Money and Property:			
Interest	10,000	1,251	(8,749)
Other:			
Miscellaneous	<u>-</u>	<u>67,433</u>	<u>67,433</u>
Total revenue	\$ 299,673	\$ 455,937	\$156,264
<u>Expenditures</u>			
Urban Development & Housing:			
Project expense	<u>689,004</u>	<u>590,212</u>	<u>98,792</u>
Revenue over (under) expenditures	\$ (389,331)	\$ (134,275)	\$255,056
Fund Balances, January 1	389,331	555,867	166,536
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	-	17,793	17,793
Encumbrances	<u>-</u>	<u>(1,456)</u>	<u>(1,456)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 437,929</u>	<u>\$437,929</u>

CITY OF LIBERAL, KANSAS

Schedule 4-11

SPECIAL CRIME PREVENTION DRUGS AND ALCOHOL FUND  
(5% OF 1% SALES TAX)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 289,673	\$387,253	\$ 97,580
Use of Money and Property:			
Interest	5,000	1,931	(3,069)
Other income	<u>-</u>	<u>1,690</u>	<u>1,690</u>
Total revenue	\$ 294,673	\$390,874	\$ 96,201
<u>Expenditures</u>			
Public Safety:			
Program expense	<u>503,911</u>	<u>256,261</u>	<u>247,650</u>
Revenue over (under) expenditures	\$ (209,238)	\$134,613	\$343,851
Fund Balances, January 1	209,238	724,602	515,364
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(14,927)</u>	<u>(14,927)</u>
Fund Balances, December 31	<u>-</u>	<u>\$844,288</u>	<u>\$844,288</u>

## CITY OF LIBERAL, KANSAS

Schedule 4-12

SPECIAL ECONOMIC DEVELOPMENT FUND  
(15% OF 1% SALES TAX)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 724,183	\$ 968,132	\$ 243,949
Use of Money and Property:			
Interest	10,000	6,020	(3,980)
Grant proceeds	<u>-</u>	<u>13,800</u>	<u>13,800</u>
Total revenue	\$ 734,183	\$ 987,952	\$ 253,769
<u>Expenditures</u>			
Economic Development:			
Project expense	<u>1,608,885</u>	<u>524,816</u>	<u>1,084,069</u>
Revenue over (under) expenditures	\$ (874,702)	\$ 463,136	\$1,337,838
Other Financing Sources (Uses):			
Operating transfer (out)	-	(220,000)	(220,000)
Fund Balances, January 1	874,702	2,326,004	1,451,302
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(129,106)</u>	<u>(129,106)</u>
Fund Balances, December 31	<u>-</u>	<u>\$2,440,034</u>	<u>\$2,440,034</u>

CITY OF LIBERAL, KANSAS

Schedule 4-13

STREET DRAINAGE AND OTHER CAPITAL IMPROVEMENTS FUND  
(60% OF 1% SALES TAX)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$1,448,366	\$1,936,264	\$ 487,898
Use of Money and Property:			
Interest	10,000	4,379	(5,621)
Other:			
Miscellaneous	<u>5,000</u>	<u>20,013</u>	<u>15,013</u>
Total revenue	\$1,463,366	\$1,960,656	\$ 497,290
<u>Expenditures</u>			
Public Works:			
Entity's share	<u>1,133,924</u>	<u>916,819</u>	<u>217,105</u>
Revenue over (under) expenditures	\$ 329,442	\$1,043,837	\$ 714,395
Other Financing Sources (Uses):			
Operating transfer in (out)	(465,000)	(437,628)	27,372
Fund Balances, January 1	135,558	707,291	571,733
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>39,985</u>	<u>39,985</u>
Fund Balances, December 31	<u>-</u>	<u>\$1,353,485</u>	<u>\$1,353,485</u>

## CITY OF LIBERAL, KANSAS

Schedule 4-14

AIR MUSEUM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transit guest tax	\$ 30,000	\$ 30,000	\$ -
Charges and Services:			
Admission	44,500	34,107	(10,393)
Gift shop and concessions	29,500	27,294	(2,206)
Contributions	1,500	1,904	404
Use of Money and Property:			
Rent	<u>1,200</u>	<u>750</u>	<u>(450)</u>
Total revenue	\$ <u>106,700</u>	\$ <u>94,055</u>	\$ <u>(12,645)</u>
<u>Expenditures</u>			
Community Services:			
Personal services	\$ 182,000	\$ 178,704	\$ 3,296
Operation and maintenance	<u>123,000</u>	<u>109,157</u>	<u>13,843</u>
Total expenditures	\$ <u>305,000</u>	\$ <u>287,861</u>	\$ <u>17,139</u>
Revenue over (under) expenditures	\$ (198,300)	\$ (193,806)	\$ 4,494
Other Financing Sources (Uses):			
Operating transfer in (out)	180,000	180,000	-
Fund Balances, January 1	18,300	59,334	41,034
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables, inventory and prepaid expenses	<u>-</u>	<u>4,114</u>	<u>4,114</u>
Fund Balances, December 31	<u>-</u>	\$ <u>49,642</u>	\$ <u>49,642</u>



## CITY OF LIBERAL, KANSAS

Schedule 5

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
December 31, 2011

	Improvement Projects						
	<u>6 Points Pavement &amp; Signals</u>	<u>Mary Frame Park Renovation</u>	<u>Blue Bonnet Park</u>	<u>Pedestrian/ Bicycle Path</u>	<u>City Hall Construction</u>	<u>Centennial &amp; Kansas Intersection</u>	<u>Widen 8<sup>th</sup> Street Three Lanes</u>
<b>ASSETS</b>							
Cash and time deposits	\$ 22,122	\$156,300	\$ 71,787	\$ 12,689	\$ 44,770	-	-
Due from other funds	-	-	-	-	-	-	-
Receivables/Prepaid expense	-	-	-	-	-	-	-
Total Assets	<u>\$ 22,122</u>	<u>\$156,300</u>	<u>\$ 71,787</u>	<u>\$ 12,689</u>	<u>\$ 44,770</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<u>Liabilities</u>							
Bank overdraft	\$ -	-	\$ -	-	-	-	-
Vouchers payable	<u>600</u>	<u>-</u>	<u>6,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 600</u>	<u>-</u>	<u>\$ 6,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>							
Nonspendable for receivables/ Prepaid expense	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Assigned	<u>21,522</u>	<u>156,300</u>	<u>65,224</u>	<u>12,689</u>	<u>44,770</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 21,522</u>	<u>\$156,300</u>	<u>\$ 65,224</u>	<u>\$ 12,689</u>	<u>\$ 44,770</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 22,122</u>	<u>\$156,300</u>	<u>\$ 71,787</u>	<u>\$ 12,689</u>	<u>\$ 44,770</u>	<u>-</u>	<u>-</u>

## CITY OF LIBERAL, KANSAS

Schedule 5  
(Continued)COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
December 31, 2011

	Improvement Projects				
	<u>Western Ave.</u>	<u>Pre-</u>	<u>Homeowner</u>	<u>NBP</u>	<u>Mahuron Park</u>
	<u>Street</u>	<u>Development</u>	<u>for</u>	<u>Desludging</u>	<u>Community</u>
	<u>Improvement</u>	<u>Grant</u>	<u>Rehabilitation</u>	<u>Pond 4</u>	<u>Building</u>
					<u>Light Park</u>
					<u>Improvement</u>
<b>ASSETS</b>					
Cash and time deposits	\$ -	\$ -	\$ 38,154	-	-
Due from other funds	572,789	-	-	-	112,100
Receivables/Prepaid expense	-	34,811	-	-	-
Total Assets	<u>\$ 572,789</u>	<u>\$ 34,811</u>	<u>\$ 38,154</u>	<u>-</u>	<u>\$ 112,100</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<u>Liabilities</u>					
Bank overdraft	\$ 572,789	\$ 28,144	-	-	\$ 111,503
Vouchers payable	-	6,667	-	-	597
Total liabilities	<u>\$ 572,789</u>	<u>\$ 34,811</u>	<u>-</u>	<u>-</u>	<u>\$ 112,100</u>
<u>Fund Balances</u>					
Nonspendable for receivables/					
Prepaid expense	\$ 572,789	\$ 34,811	\$ -	-	\$ 112,100
Assigned	(572,789)	(34,811)	38,154	-	(112,100)
Total fund balances	<u>-</u>	<u>-</u>	<u>\$ 38,154</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 572,789</u>	<u>\$ 34,811</u>	<u>\$ 38,154</u>	<u>-</u>	<u>\$ 112,100</u>

## CITY OF LIBERAL, KANSAS

Schedule 5  
(Continued)COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
December 31, 2011

	Improvement Projects				
	<u>Depot Parking Lot</u>	<u>McWheeler Addition Street/Utility</u>	<u>North Kansas Avenue Sidewalk</u>	<u>South Kansas Avenue</u>	<u>South Park/ Pine Street</u>
ASSETS					
Cash and time deposits	\$ 83,172	\$ 11,476	-	\$165,478	\$239,315
Due from other funds	-	-	-	-	-
Receivables/Prepaid expense	-	-	-	-	-
Total Assets	<u>\$ 83,172</u>	<u>\$ 11,476</u>	<u>-</u>	<u>\$165,478</u>	<u>\$239,315</u>
LIABILITIES AND FUND BALANCES					
<u>Liabilities</u>					
Bank overdraft	\$ -	-	-	-	-
Vouchers payable	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Nonspendable for receivables/ Prepaid expense	\$ -	\$ -	-	\$ -	\$ -
Assigned	<u>83,169</u>	<u>11,476</u>	<u>-</u>	<u>165,478</u>	<u>239,315</u>
Total fund balances	<u>\$ 83,169</u>	<u>\$ 11,476</u>	<u>-</u>	<u>\$165,478</u>	<u>\$239,315</u>
Total Liabilities and Fund Balances	<u>\$ 83,172</u>	<u>\$ 11,476</u>	<u>-</u>	<u>\$165,478</u>	<u>\$239,315</u>

## CITY OF LIBERAL, KANSAS

Schedule 5  
(Continued)COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
December 31, 2011

	Improvement Projects				
	<u>Purdue</u> <u>Street</u>	<u>15<sup>th</sup> Street</u> <u>Drainage</u>	<u>US 54</u> <u>Western/</u> <u>Clay</u>	<u>US 54</u> <u>West</u> <u>Entrance</u>	<u>Total</u>
ASSETS					
Cash and time deposits	\$ -	\$ -	-	\$ 48,660	\$ 893,923
Due from other funds	-	2,600	-	-	687,489
Receivables/Prepaid expense	<u>759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,570</u>
Total Assets	<u>\$ 759</u>	<u>\$ 2,600</u>	<u>-</u>	<u>\$ 48,660</u>	<u>\$1,616,982</u>
LIABILITIES AND FUND BALANCES					
<u>Liabilities</u>					
Bank overdraft	\$ 759	\$ -	-	-	\$ 713,195
Vouchers payable	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>17,030</u>
Total liabilities	<u>\$ 759</u>	<u>\$ 2,600</u>	<u>-</u>	<u>-</u>	<u>\$ 730,225</u>
<u>Fund Balances</u>					
Nonspendable for receivables/ Prepaid expense	\$ 759	\$ 2,600	-	\$ -	\$ 723,059
Assigned	<u>(759)</u>	<u>(2,600)</u>	<u>-</u>	<u>48,660</u>	<u>163,698</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 48,660</u>	<u>\$ 886,757</u>
Total Liabilities and Fund Balances	<u>\$ 759</u>	<u>\$ 2,600</u>	<u>-</u>	<u>\$ 48,660</u>	<u>\$1,616,982</u>

## CITY OF LIBERAL, KANSAS

Schedule 6

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2011

	Improvement Projects						
	<u>6 Points Pavement &amp; Signals</u>	<u>Mary Frame Park Renovation</u>	<u>Blue Bonnet Park</u>	<u>Pedestrian/ Bicycle Path</u>	<u>City Hall Construction</u>	<u>Centennial &amp; Kansas Intersection</u>	<u>Widen 8<sup>th</sup> Street Three Lanes</u>
<u>Revenue</u>							
Entities' share	\$ 50,000	\$156,300	\$320,000	\$ -	-	\$ 12,883	\$ 5,941
Grants:							
State of Kansas	-	-	-	12,689	-	-	-
Total revenue	<u>\$ 50,000</u>	<u>\$156,300</u>	<u>\$320,000</u>	<u>\$ 12,689</u>	<u>-</u>	<u>\$ 12,883</u>	<u>\$ 5,941</u>
<u>Expenditures</u>							
Construction cost	\$ 23,287	-	\$222,688	-	-	\$ 236	-
Engineering/architect	39,581	-	6,598	-	-	8,512	-
Other	-	-	24,097	-	-	-	-
Total expenditures	<u>\$ 62,868</u>	<u>-</u>	<u>\$253,383</u>	<u>-</u>	<u>-</u>	<u>\$ 8,748</u>	<u>-</u>
Excess or (deficiency) of revenue over expenditures	\$ (12,868)	\$156,300	\$ 66,617	\$ 12,689	\$ -	\$ 4,135	\$ 5,941
Fund Balances, January 1	34,390	-	-	-	44,770	-	-
Other Financing Sources (Uses):							
Increase (decrease) in reserves	-	-	(1,393)	-	-	(4,135)	(5,941)
Fund Balances, December 31	<u>\$ 21,522</u>	<u>\$156,300</u>	<u>\$ 65,224</u>	<u>\$ 12,689</u>	<u>\$ 44,770</u>	<u>-</u>	<u>-</u>

## CITY OF LIBERAL, KANSAS

Schedule 6  
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2011

	Improvement Projects					
	<u>Western Ave.</u> <u>Street</u> <u>Improvement</u>	<u>Pre-</u> <u>Development</u> <u>Grant</u>	<u>Homeowner</u> <u>for</u> <u>Rehabilitation</u>	<u>NBP</u> <u>Desludging</u> <u>Pond 4</u>	<u>Mahuron Park</u> <u>Community</u> <u>Building</u>	<u>Light Park</u> <u>Improvement</u>
<u>Revenue</u>						
Entities' share	-	\$ -	\$ 56,250	\$ 694,353	\$ 24,647	\$387,128
Grants:						
State of Kansas	-	<u>129,262</u>	<u>102,379</u>	-	-	-
Total revenue	-	<u>\$129,262</u>	<u>\$158,629</u>	<u>\$ 694,353</u>	<u>\$ 24,647</u>	<u>\$387,128</u>
<u>Expenditures</u>						
Construction cost	\$ 28,175	\$ -	\$ 59,840	-	\$ -	\$203,881
Engineering/architect	-	-	-	-	-	1,512
Other	-	<u>131,248</u>	<u>3,776</u>	-	<u>4,938</u>	<u>132,510</u>
Total expenditures	<u>\$ 28,175</u>	<u>\$131,248</u>	<u>\$ 63,616</u>	-	<u>\$ 4,938</u>	<u>\$337,903</u>
Excess or (deficiency) of revenue over expenditures	\$ (28,175)	\$ (1,986)	\$ 95,013	\$ 694,353	\$ 19,709	\$ 49,225
Fund Balances, January 1	-	-	-	-	-	-
Other Financing Sources (Uses):						
Increase (decrease) in reserves	<u>28,175</u>	<u>1,986</u>	<u>(56,859)</u>	<u>(694,353)</u>	<u>(19,709)</u>	<u>(49,225)</u>
Fund Balances, December 31	-	-	<u>\$ 38,154</u>	-	-	-

## CITY OF LIBERAL, KANSAS

Schedule 6  
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2011

	<u>Improvement Projects</u>				
	<u>Depot Parking Lot</u>	<u>McWheeler Addition Street/Utility</u>	<u>North Kansas Avenue Sidewalk</u>	<u>South Kansas Avenue</u>	<u>South Park/ Pine Street</u>
<u>Revenue</u>					
Entities' share	\$200,000	-	\$ 12,581	\$175,000	\$ 49,661
Grants:					
State of Kansas	-	-	-	-	-
Total revenue	<u>\$200,000</u>	<u>-</u>	<u>\$ 12,581</u>	<u>\$175,000</u>	<u>\$ 49,661</u>
<u>Expenditures</u>					
Construction cost	\$110,277	\$ 20,252	\$ -	\$ -	\$ 41,236
Engineering/architect	650	-	-	-	3,438
Other	<u>2,766</u>	<u>-</u>	<u>2,946</u>	<u>105</u>	<u>8,637</u>
Total expenditures	<u>\$113,693</u>	<u>\$ 20,252</u>	<u>\$ 2,946</u>	<u>\$ 105</u>	<u>\$ 53,311</u>
Excess or (deficiency) of revenue over expenditures	\$ 86,307	\$ (20,252)	\$ 9,635	\$174,895	\$ (3,650)
Fund Balances, January 1	-	31,728	-	-	242,965
Other Financing Sources (Uses):					
Increase (decrease) in reserves	<u>(3,138)</u>	<u>-</u>	<u>(9,635)</u>	<u>(9,417)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 83,169</u>	<u>\$ 11,476</u>	<u>-</u>	<u>\$165,478</u>	<u>\$239,315</u>

## CITY OF LIBERAL, KANSAS

Schedule 6  
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2011

	<u>Improvement Projects</u>				
	<u>Purdue</u>	<u>15<sup>th</sup> Street</u>	<u>US 54</u>	<u>US 54</u>	
	<u>Street</u>	<u>Drainage</u>	<u>Western/</u>	<u>West</u>	<u>Total</u>
			<u>Clay</u>	<u>Entrance</u>	
<u>Revenue</u>					
Entities' share	\$ 44,476	\$ 18,142	\$ 44,747	\$ 50,000	\$2,302,109
Grants:					
State of Kansas	<u>43,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,047</u>
Total revenue	<u>\$ 88,193</u>	<u>\$ 18,142</u>	<u>\$ 44,747</u>	<u>\$ 50,000</u>	<u>\$2,590,156</u>
<u>Expenditures</u>					
Construction cost	\$ 87,443	\$ -	\$ 44,747	\$ -	\$ 842,062
Engineering/architect	1,509	20,742	-	1,340	83,882
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,023</u>
Total expenditures	<u>\$ 88,952</u>	<u>\$ 20,742</u>	<u>\$ 44,747</u>	<u>\$ 1,340</u>	<u>\$1,236,967</u>
Excess or (deficiency) of revenue over expenditures	\$ (759)	\$ (2,600)	-	\$ 48,660	\$1,353,189
Fund Balances, January 1	-	-	-	-	353,853
Other Financing Sources (Uses):					
Increase (decrease) in reserves	<u>759</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>(820,285)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 48,660</u>	<u>\$ 886,757</u>



## CITY OF LIBERAL, KANSAS

Schedule 7

BOND AND INTEREST FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
For the year ended December 31, 2011

	<u>Original</u>	<u>Final</u>		<u>Variance</u>
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavor.)</u>
Taxes:				
Ad valorem property tax	\$ 26,957	\$ 26,957	\$ 25,883	\$ (1,074)
Back tax collections	-	-	3,604	3,604
Special assessments	-	-	4,818	4,818
Motor vehicle tax	<u>13,199</u>	<u>13,199</u>	<u>11,282</u>	<u>(1,917)</u>
Total taxes	\$ 40,156	\$ 40,156	\$ 45,587	\$ 5,431
Use of Money and Property:				
Interest income	10,000	10,000	9,365	(635)
Sales of raw water	<u>242,156</u>	<u>242,156</u>	<u>55,030</u>	<u>(187,126)</u>
Total revenue	\$ <u>292,312</u>	\$ <u>292,312</u>	\$ <u>109,982</u>	\$ <u>(182,330)</u>
<u>Expenditures</u>				
Bond principal	\$ 948,200	\$ 948,200	\$ 2,425,000	\$ (1,476,800)
Interest coupons	90,000	90,000	68,311	21,689
Miscellaneous	<u>89,800</u>	<u>279,800</u>	<u>154,769</u>	<u>125,031</u>
Total expenditures	\$ <u>1,128,000</u>	\$ <u>1,318,000</u>	\$ <u>2,648,080</u>	\$ <u>(1,330,080)</u>
Revenue over (under) expenditures	\$ (835,688)	\$ (1,025,688)	\$ (2,538,098)	\$ (1,512,410)
Other Financing Sources (Uses):				
Operating transfer in (out)	460,188	460,188	437,628	(22,560)
Bond proceeds	-	-	1,717,554	1,717,554
Fund Balances, January 1	375,500	565,500	2,620,586	2,055,086
Other Changes:				
Increase or (Decrease) in Reserves:				
Receivables and encumbrances	<u>-</u>	<u>-</u>	<u>(8,080)</u>	<u>(8,080)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	\$ <u>2,229,590</u>	\$ <u>2,229,590</u>

CITY OF LIBERAL, KANSAS

Schedule 8

CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS – SCHEDULE BY SOURCE  
December 31, 2011

Governmental Funds Capital Assets:

Land	\$ 1,555,864
Buildings	8,925,965
Structures and improvements other than buildings	7,864,184
Machinery, equipment, furniture and fixtures	4,885,387
Vehicles	4,524,870
Streets and other assets	60,030,481
Construction in progress	<u>1,185,906</u>

Total Governmental Funds Capital Assets	<u>\$88,972,657</u>
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## CITY OF LIBERAL, KANSAS

Schedule 9

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the year ended December 31, 2011

<u>Function and Activity</u>	<u>Governmental</u> <u>Fund Capital</u>				<u>Governmental</u> <u>Fund Capital</u>	
	<u>Assets</u> <u>01/01/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Assets</u> <u>12/31/11</u>	
General Government:						
Administration	\$ 2,775,880	\$ 5,225	\$ 3,985	\$ 28,344	\$ 2,805,464	
Building inspection	115,926	-	-	11,692	127,618	
Legislative	5,102	-	-	-	5,102	
Utility billing	14,165	-	2,500	(1,617)	10,048	
Finance & personnel	16,024	-	2,500	(1,000)	12,524	
City Manager	31,515	-	-	(1,850)	29,665	
Data processing	182,555	597	2,062	3,542	184,632	
Total general government	<u>\$ 3,141,167</u>	<u>\$ 5,822</u>	<u>\$ 11,047</u>	<u>\$ 39,111</u>	<u>\$ 3,175,053</u>	
Public Safety:						
Police	\$ 3,279,706	\$ 209,901	\$ 251,013	\$ 437	\$ 3,239,031	
Fire	4,933,947	24,339	19,838	-	4,938,448	
Municipal Court	19,283	3,173	695	-	21,761	
Public Safety & animal control	159,386	1,385	-	(34,401)	126,370	
Communications	44,925	-	2,415	-	42,510	
Total public safety	<u>\$ 8,437,247</u>	<u>\$ 238,798</u>	<u>\$ 273,961</u>	<u>\$ (33,964)</u>	<u>\$ 8,368,120</u>	
Public Works:						
Transportation	\$60,171,634	\$3,514,337	\$2,537,085	\$ 31,670	\$61,180,556	
Engineering	35,347	-	-	-	35,347	
Recreation	1,503,870	23,973	26,117	2,732	1,504,458	
Arkalon	1,169,215	13,165	-	(13,034)	1,169,346	
Street lighting	404,832	-	-	-	404,832	
Airport	2,555,338	-	586	-	2,554,752	
Total public works	<u>\$65,840,236</u>	<u>\$3,551,475</u>	<u>\$2,563,788</u>	<u>\$ 21,368</u>	<u>\$66,849,291</u>	
Community Service:						
Golf course	\$ 1,058,017	\$ 41,944	\$ 26,532	\$ (2,674)	\$ 1,070,755	
Parks	1,752,017	1,642,274	12,436	(33,223)	3,348,632	
Swimming pool	5,330,121	294	-	(2,732)	5,327,683	
Economic development	19,633	17,950	-	-	37,583	
Cemetery	385,593	7,711	-	3,641	396,945	
Tourism	200,138	16,388	-	-	216,526	
Housing	84,732	27,692	42,111	(2,918)	67,395	
Air Museum	82,462	1,615	4,810	-	79,267	
Beautification	22,321	-	-	13,086	35,407	
Total community service	<u>\$ 8,935,034</u>	<u>\$1,755,868</u>	<u>\$ 85,889</u>	<u>\$ (24,820)</u>	<u>\$10,580,193</u>	
Total Governmental Funds						
Capital Assets	<u>\$86,353,684</u>	<u>\$5,551,963</u>	<u>\$2,934,685</u>	<u>\$ 1,695</u>	<u>\$88,972,657</u>	

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

City Commission  
City of Liberal, Kansas

**Compliance**

We have audited the City of Liberal, Kansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Liberal's major federal programs for the year ended December 31, 2011. The City of Liberal's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Liberal's management. Our responsibility is to express an opinion on the City of Liberal's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Liberal's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Liberal's compliance with those requirements.

In our opinion, the City of Liberal, Kansas complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

## **Internal Control Over Compliance**

Management of the City of Liberal, Kansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Liberal's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Liberal's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Liberal's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

## **Hay•Rice & Associates, Chartered**

September 13, 2012

## CITY OF LIBERAL, KANSAS

Schedule 10SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2011

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Grant Award</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Rural Development: Rural Self-Help Housing Technical Assistance	10.420	N/A	\$ 129,262	\$ 129,262
U.S. Department of Housing and Urban Development Passed Through Kansas Housing Resources Corporation: Home Investment Partnerships Program	14.239	HOME3	102,379	102,379
U.S. Department of Transportation Federal Aviation Administration: Airport Improvement Program	20.106	N/A	542,566	542,566
U.S. Department of Homeland Security: Assistance to Firefighters Grant	97.044	N/A	22,353	22,353
U.S. Department of Justice: JAG Program Cluster: ARRA – Edward Byrne Memorial Justice Assistance Grant	16.804	N/A	49,233	49,233
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	38,550	38,550
ARRA – Public Safety Partnership and Community Policing	16.710	N/A	200,000	200,000
U.S. Department of Transportation Passed Through Kansas Department of Transportation: State and Community Highway Safety	20.600	2011	<u>15,496</u>	<u>15,496</u>
Total Expenditures of Federal Awards			<u>\$1,099,839</u>	<u>\$1,099,839</u>

CITY OF LIBERAL, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2011

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Liberal, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note B: Subrecipient Grant Agreement

There were no subrecipient agreements at December 31, 2011.

Note C: Noncash Assistance and Cumulative Endowment Funds

The City of Liberal, Kansas received no federal noncash assistance and no cumulative endowment funds for the year ended December 31, 2011.

Note D: Federal Loan or Loan Guarantee Programs

For the year 2011, there were no loans or loan guarantees outstanding at year end.

Note E: There was no interest subsidy received by the City of Liberal, Kansas under a federal loan or loan guarantee program.

CITY OF LIBERAL, KANSAS

Schedule 11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion.
2. The following significant deficiencies in internal control disclosed by the audit of the financial statements were considered material weaknesses:

Payroll Department – There needs to be greater oversight over payroll and greater segregation of duties within the department. Cross training the function would also strengthen the uninterrupted continuance of the department's activities.

Inventory – The City needs to continue to develop stronger controls over inventory. Perpetual systems should be considered.

3. No instances of noncompliance material to the financial statements of the City of Liberal, Kansas were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal awards that were considered material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the City of Liberal, Kansas expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Liberal, Kansas as reported in Part C. of this schedule.
7. The programs tested as major programs include:
  - Airport Improvement Program CFDA #20.106
  - ARRA – Public Safety Partnership and Community Policing CFDA #16.710
8. The threshold for determining type A and B programs was:
  - Type A – the larger of \$300,000 or 3% of total federal awards expended
  - Type B – any programs that do not meet type A criteria specified above
9. The City of Liberal, Kansas was not determined to be a low-risk auditee.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2011

B. FINDINGS – FINANCIAL STATEMENTS

Material Weaknesses

2011-1. Payroll Department

Condition: There is a lack of segregation of duties and oversight within the department.

Criteria: Internal controls should be in place that provide reasonable assurance that payroll is correct.

Cause: Internal controls over the payroll department are inadequately designed.

Effect: Because of the lack of segregation of duties and oversight, payroll may not be correct.

Recommendation: Procedures should be implemented that result in greater segregation of duties and oversight such as cross-training.

Response: The City agrees with the finding and the recommended procedures will be implemented.

2011-2. Inventory

Condition: There is a lack of adequate internal controls over inventory.

Criteria: Internal controls should be in place that provide reasonable assurance that inventory is safeguarded.

Cause: Internal controls over inventory are inadequately designed.

Effect: Because of the lack of internal controls over inventory, inventory is not adequately safeguarded.

Recommendation: Procedures should be implemented that result in greater safeguarding of inventory.

CITY OF LIBERAL, KANSAS

Schedule 11  
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2011

B. FINDINGS – FINANCIAL STATEMENTS (Continued)

Material Weaknesses (Continued)

2011-2. Inventory (Continued)

Response: The City agrees with the finding and the recommended procedures will be implemented.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CITY OF LIBERAL, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2011

There were no audit findings relating to federal award programs in the prior years audit.